Ron Brown
US commerce gets an elegant advocate
Page 12

Empty Raincoat
Charles Handy charts the future of the company
Page 14

Annie Leibovitz
Perceptive portraits or a sham?
Page 13

FINANCIAL TIMES

Europe's Business Newspaper — MONDAY FEBRUARY 21 1994 — D8523A

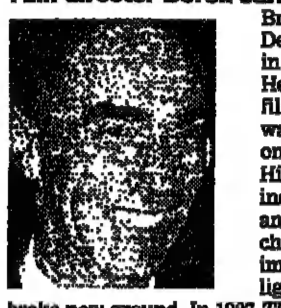
Taiwan and Boeing may co-operate on regional jet project

Taiwan Aerospace is in talks with Boeing over possible joint development of a 100-seat regional jet. The move follows the failure of talks last year between the aerospace company, which is 29 per cent owned by the Taiwan government, and British Aerospace to co-operate on a similar project. Page 16

US moves on spent nuclear fuel: After five years of delay, the US Department of Energy has recommended that the US should take back spent nuclear fuel from nine European research reactors. Page 16

Kohl seeks to rouse his party: German Chancellor Helmut Kohl today faces the task of persuading his Christian Democratic Unionists, meeting in Hamburg for their party conference, that they can win the general election in October. Page 16

Film director Derek Jarman dies



British film director Derek Jarman died in London of Aids. He was 52. *Blue*, his film about his illness, was shown last year on British television. His other films, which include *Caravaggio* and *Wittgenstein*, were characterised by an imagery of colour, light and design which broke new ground. In 1987 *The Last of England* inspired a book of the same name in which he announced he was HIV positive. Obituary, Page 13

Tokyo talks on Honda's Rover partnership: Talks in Tokyo this week between carmakers BMW, Honda and Rover will help determine whether Honda will continue its 15-year partnership with Rover under BMW's majority ownership. Page 17; Honda may hold the ace, Page 18

British Steel customers consider action: Steel fabricators are considering legal action against British Steel over the prices they paid for beams and girders between 1984 and 1990. Page 8

Romania acts against pyramid scheme: The Romanian authorities have acted to stop Caritas, the money-spinning pyramid scheme, from opening new branches. Page 2

Dutch plan mobile phones tax: The Dutch government is proposing to impose a 7.5 per cent tax on the profits of companies operating new digital cellular networks when licences are issued this year. Page 16

Santa Fe Pacific, the US railroad group, is expected to float its subsidiary Santa Fe Gold Corporation, sixth largest North American gold producer, on terms that would give it a market value of at least $1.5bn. Page 17

Cable & Wireless, the UK telecommunications group, intends to make the Asia-Pacific region its prime investment focus for the next decade. Page 17

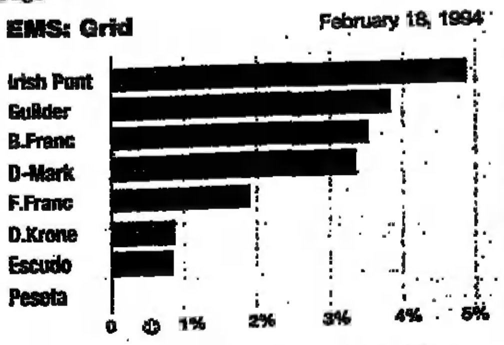
Hijackers demand $5m: Three armed Afghans demanded $5m for the release of 16 Pakistani schoolboys they kidnapped when they hijacked a school bus near Islamabad. The kidnappers earlier released 57 of 73 schoolchildren and staff.

Kenya lifts borrowing curbs: Kenya has lifted restrictions on local borrowings by foreign-controlled companies, and plans to repeal remaining foreign exchange controls by the end of the year. Page 4

Venezuela bank head named: Venezuela named Gustavo Roosen, president of the country's national oil company PDVSA, to head its intervention board at Banco Latino, second-largest Venezuelan bank, which failed last month. Page 6

European Monetary System: The order of the currencies in the grid were unchanged at the end of a week in which Germany, Belgium, the Netherlands and Denmark eased monetary policy. All currencies except the Irish punt and the Danish krone were stronger against the Spanish peseta, the weakest currency. Currencies, Page 29

EMS: Grid February 18, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

China repression 'increasing': China was accused by international human rights group Asia Watch of increasing political repression, with more than 200 dissidents arrested last year. Page 5

Swiss vote to ban transit lorries from alpine regions

By Ian Rodger in Zurich

The Swiss moved boldly yesterday to protect their alpine environment, voting in a plebiscite to ban all lorry transit traffic through the Swiss Alps within 10 years even though such a ban is likely to worsen relations between their government and the European Union.

Nearly 52 per cent of those who went to the polls voted in support of the ban, defying the Swiss government's strong denunciation of the proposal.

Two years ago, Bern signed a 12-year agreement with the European Union to restrain the growth of transit lorry traffic in the Alps. It argued during the referendum campaign that this provided adequate protection, but will no longer be able to respect that agreement.

It is the second time in less than two years that the Swiss people have voted to undo agreements reached between their government and the EU. In December 1992 they rejected a proposal to join the European Economic Area, an enlarged free trade zone linking the countries of the European Free Trade Association with the EU.

In Brussels, an EU official said the decision was regrettable. Bern fears that the EU will become reluctant to enter planned bilateral negotiations over air traffic rights in the union for Swissair and other issues.

But there was jubilation in the tiny canton of Uri, which lies in a narrow mountain valley leading up to the Gotthard Pass, the shortest road and rail route between Germany and Italy.

It was there that a petition was drawn up in 1990 proposing that all transit lorry traffic be forced to move on to the railways after a 10-year transition period and all transit-related motorway construction in Switzerland be halted.

A crestfallen Mr Adolf Ogi, the Swiss transport minister, said the government would do what it could to minimise discrimination against EU lorries, but there is not much he can do. Under Switzerland's system of direct democracy, the people's decision in a plebiscite is binding and final.

The result could also complicate the EU's enlargement negotiations with Austria, now in an intense final phase. Austrians are also upset about the pollution caused in Alpine valleys by transit lorries. Their determination to prevent any further liberalisation of transit traffic could be stiffened by the Swiss vote.

Mr Viktor Klima, Austria's transport minister, noted in Brussels yesterday that the vote was a signal that Europeans wanted a more environmentally friendly transport policy.

Air strike threat eases as Serbs move guns

By Judy Dempsey in London, Robert Graham in Aviano and George Graham in Washington

The likelihood of early air strikes against Bosnian Serbs receded sharply yesterday after their forces rushed to comply with last night's Nato deadline to withdraw their heavy artillery from around Sarajevo.

General Sir Michael Rose, the United Nations commander in Bosnia, was quoted by the BBC last night as saying that immediate Nato air strikes against Serb-held positions in the Bosnian capital would not be necessary.

General Pavel Grachev, Russia's defence minister, said after speaking by telephone to Mr William Perry, US defence secretary, that he had been told only reconnaissance operations would be carried out today. The two ministers plan to consult again this evening.

However, President Alija Izetbegovic, head of Bosnia's mainly Moslem government, insisted that the Serbs had not adequately complied and wrote to Mr Manfred Wörner, Nato secretary general, urging that the strikes threatened from today be carried out.

Western forces assembled the largest collection of allied air power since the Gulf war after giving the Serb and Bosnian government forces until midnight GMT last night to withdraw or place under UN control all heavy weapons around Sarajevo. If not, UN officials would request Nato to launch air strikes against any remaining positions overlooking the city.

But Russia, which last week forged a deal with Bosnia's Serbs, continued to oppose any air strikes. Mr Vitaly Churkin, Russia's deputy foreign minister and Moscow's special envoy in former Yugoslavia, warned that Nato's "Partnership for Peace" agreements with former Warsaw Pact states in eastern Europe could be one casualty of any air strike. "The point here is not air strikes. It is peace," he said.

As the west seeks ways to capitalise on the ceasefire around Sarajevo and move the peace process forward, Mr Douglas Hurd, British foreign secretary, will today hold talks with Mr Alain Juppé, his French counterpart. Senior officials from the European Union, the US, Russia and the UN are due to meet tomorrow in Bonn.

In Washington, President Bill Clinton said: "Military force can make it more likely that Bosnian Serbs will seek a solution through negotiation."

Mr Warren Christopher, US secretary of state, said the "next step is to consider whether other places in Bosnia should have a comparable treatment," including the towns of Srbrenica and Gorazde.

He added that finding a settlement which met the reasonable requirements of the Bosnian Moslems was a high priority, and that the apparent success of Nato's new resolve over Sarajevo would boost the peace talks.

"US leadership in the negotiations is very important. I think there will be a new credibility for the west in the negotiations," he said.

Nato's ultimatum, issued on February 10, was aimed at putting pressure on the Bosnian Serbs to lift the siege of Sarajevo, and persuade the Bosnian Croat, Serb and government forces to reach a negotiated peace settlement for the whole of Bosnia.

Hours before the deadline expired, Mr Radovan Karadzic, leader of the Bosnian Serbs, said

Continued on Page 16
Details and analysis, Page 2

Associated Press

Bosnian Serbs welcome a Russian UN battalion yesterday in Pale, about 15km north-west of Sarajevo. Russia has opposed Nato air strikes

Russians arrange ceasefire between warring Azeris and Armenians

Nagorno-Karabakh peace plan

By John Lloyd in Baku

A breakthrough may be in sight in the five-year-old conflict over Nagorno-Karabakh, the Armenian-dominated enclave in Azerbaijan, following a Russian-arranged ceasefire agreed over the weekend and a proposal for a meeting of the leaders of the two warring neighbours early next month.

The Azeri leadership said in the capital, Baku, yesterday that the defence ministers of Azerbaijan and Armenia had agreed in Moscow with General Pavel Grachev, the Russian defence minister, on an immediate ceasefire and a withdrawal of the forces of both sides to predetermined positions.

A complete withdrawal of Armenian forces from Azerbaijan would depend on further negotiations.

The agreement came after further fierce fighting between Armenian and Azeri forces in the region of Kelbadjar on the borders of Nagorno-Karabakh. Armenian forces now occupy 25 per cent of Azeri territory on both sides of the Karabakh enclave and more than 1m Azeris have been made refugees, most of these living in tents round the capital of Baku.

In an interview yesterday Mr Haydar Aliev, the Azeri president, was cautious, pointing out that "there have been many ceasefires – the important question is the total withdrawal of the Armenians from our territory and then we can talk about Nagorno-Karabakh."

Mr Aliev, the former Communist party leader of Azerbaijan who returned to power last year in a bloodless coup, said that Nagorno-Karabakh, which has declared its independence, must be recognised as part of Azerbaijan. "After that, discussions on its status are open. We can agree to many kinds of status and as president I guarantee all rights to the Armenians living there."

Mr Vafa Gulizade, the presidential adviser on foreign affairs, said that "the most important thing about this agreement is that it is guaranteed by the Russians. The Russians can force the Armenians to withdraw if they want, because Armenia is entirely dependent on Russia for its survival."

The two neighbouring countries, between which hostilities have escalated since the Armenian parliament declared Nagorno-Karabakh part of Armenia four years ago, are now both members of the Russian-led Commonwealth of Independent States and both, especially Armenia, remain closely tied to the Russian economy.

However, Azerbaijan possesses very large oil reserves in the Caspian Sea. A contract with a western consortium of oil companies, led by British Petroleum but with the probable participation of the Russian state oil company, Lukoil, is expected to be signed shortly.

Financial markets braced for further bout of turbulence

By Steve Thompson and Graham Bowley in London

International financial markets look set for another bout of turbulence today after the sell-off that caused heavy falls in US and European bond and equity markets late last Friday.

One senior market-maker in UK equities said yesterday that prices of shares in the FT-SE 100, the London market's leading stocks, could probably be marked down by as much as 60 points, at the opening to try to head off any attempted selling by the big institutions.

He said that 3,355 on the FT-SE 100 would be a benchmark for market sentiment: "If it closes above 3,355 we should stabilise." The FT-SE 100 closed at 3,382.6 last Friday.

The sell-off came as bond dealers took fright at talk of exceptionally heavy selling of international bonds by some big US hedge funds, which are involved in aggressive short-term trading but aim to offset exposure to changes in market rates. This was compounded by worries about what Mr Alan Greenspan, US Federal Reserve chairman, will say tomorrow in a review of monetary policy to Congress.

Dealers were also worried about US inflation, after a Philadelphia Federal Reserve study warned of increasing input prices to manufacturers.

Asian markets will provide the first pointers to international market performance today. Mr Nick Knight, analyst at Nomura, the stockbroker, said: "The Hong Kong market is a critical and sensitive indicator of US money flows. If Hong Kong is down 200 points we'll have a manageable fall in London but if it is significantly larger than that, then it could be serious."

Mr Roger Bootle, chief economist at Midland Global Markets, said the downturn was due to technical factors rather than economic fundamentals.

He said: "The current international drama has nothing at all to do with the economic fundamentals, not least inflation, which is everywhere spectacularly good.

"It must therefore be to do with a shortage of liquidity as large investors and marketmakers have liquidated their positions.

Global investor, Page 20
International Bonds, Page 22
World stocks, Page 24

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
France	FFr9.00	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L13000
						UAE	Dh12.00

CONTENTS

News
International News — 2-6
UK News — 9
Lex — 16
Weather — 16
Week Ahead — 9
Guide to the Week — 34
People — 12

Features
Leader Page — 15
Letters — 14
Management — 10
Economics Notebook — 20
Observer — 15
Arts — 13
Arts Guide — 13
Monday Interview — 12
Michael Prowse — 15
Crossword — 34

Companies
UK/Int — 18,19

Markets
Intl. Cap Mkts — 20-23
FT World Actuaries — 29
Foreign Exchanges — 29
Managed Funds — 25-29
Money Markets — 29
Int. Bond issues — 22
Recent Issues — 29
Share Information — 30,31
World Stock Markets — 24

Disappointment at western stance on Bosnia

Kozyrev warns E Europe on Nato

By Judy Dempsey

While Mr Vitaly Churkin, Russia's deputy prime minister and Moscow's special envoy to the former Yugoslavia, brokers agreements in Sarajevo, Mr Andrei Kozyrev, Russia's foreign minister, travels around eastern Europe.

Fresh from long talks with Greek officials, who continue to prevent oil deliveries reaching neighbouring Macedonia, Mr Kozyrev yesterday met Mr Vaclav Klaus, the Czech prime minister, travels to Budapest today, and arrives in Warsaw tomorrow.

The agenda is clear. The Russians want to explain Moscow's role in Bosnia-Hercegovina. But they also want to tell Prague, Budapest and Warsaw that Nato's Partnership for Peace could be jeopardised if Nato launches air strikes on Sarajevo.

The Partnership for Peace envisages closer military co-operation, but no eventual membership or any kind of security guarantee for the countries of eastern Europe.

Against this background of growing Russian involvement in the Bosnian crisis, military strategists believe that if the US does not play a role in helping to reach a negotiated political settlement for Bosnia, a new balance of power will emerge in Europe with Russia playing a more dominant role at the expense of the east Europeans.

Czech President Vaclav Havel has repeatedly said the Bosnian war has exposed Europe's inability to deal with the post-cold war era: the western response may encourage future nationalists and populists in eastern Europe capable of exploiting divisions among European capitals.

"Kozyrev will be told what the Czechs think," a senior military strategist said. "Mr Klaus, who has no illusions about the European Union, will tell Moscow that Prague will deal with Russia, but on its own terms."

In Budapest, diplomats are very disappointed with Nato's stance on Bosnia. "We allowed them to fly Awacs over our territory. Then they simply gave the impression they expected us to allow them to fly Awacs over Hungary for the air strikes without any kind of proper consultation. We refused," a Hungarian diplomat said. "Yet when we ask for a decent Partnership for Peace, the door is only half opened."

Moscow may be grateful for Hungary's refusal. But Budapest had its own motives: the fate of the 450,000-strong ethnic Hungarian minority in Serbia. "We would be pleased if Kozyrev could exert pressure on Serbia to recognise the rights of the minority and ensure their safety," the diplomat said. "But it should be the west which should shore up our democratic structures, while Russia would probably want something in return if it helped us." That might involve Hungary's easing sanctions on Serbia, which Budapest would be loath to concede.

Mr Kozyrev's trip to Warsaw will be even more delicate. The Poles have not forgotten how President Boris Yeltsin last year said he opposed Poland asking for Nato membership. "Sometimes you think that Moscow does not realise that we are an independent sovereign country," a Polish Foreign Ministry official said then.

Yet the Russian leadership, with Mr Vladimir Zhirinovsky, head of the far-right Russian Liberal Democratic party, in the background, realise that the longer the west fails to live up to its promises and commitments for the countries of eastern Europe, the greater the chance for feeding anti-western sentiments within eastern Europe itself.

"We are extremely fortunate eastern Europe is stable, little thanks to us," a UK military export said. "The Bosnian crisis has shown eastern Europe the weaknesses of western governments. They worry that if Washington does not pull its weight in Bosnia, Russia could fill that vacuum, return to haunt eastern Europe, and even turn the region into a cordon sanitaire. Remember, Russia still has an imperial itch."

Catholic women in Sarajevo pray for peace and an end to the 22-month siege of the city as the deadline for Serb withdrawal approached yesterday Picture: Reuter

Roar of jets amplifies Nato threat

By Robert Graham at Aviano air base

In a huge hangar at Aviano, a northern Italian frontline air base for Nato operations over Bosnia, the defence ministers of France, Italy, the Netherlands, the UK and the US yesterday approved final plans for attack missions over Sarajevo should the Serbs have failed to comply with the Sunday midnight deadline for withdrawal of heavy weapons from around the besieged city.

The ministers spoke of "comforting signs" of Serb compliance with the United Nations ultimatum. But they also made it clear their determination to use force if necessary.

On the timing of any attack mission, the ministers were naturally cautious. However Mr Malcolm Rifkind, the UK defence minister, speaking ahead of the encouraging UN view expressed from Sarajevo, said verification on the ground was essential and it would not be possible to know if the Serbs had properly complied with the withdrawal requirements precisely at midnight.

This suggested that commanders on the ground were being given discretion to check the positions of weapons and that any military action would be delayed at least until then.

The threat to use force was emphasised by the thunderous roar of US F-16 and F-18 jets as they took off for reconnaissance missions over the war zone before and during the ministers' press conference yesterday afternoon.

Mr Walter Perry, in his first important overseas mission since becoming US defence secretary, said he was fully satisfied by Nato's combat-readiness. He also said the rules of engagement had been agreed among the US allies. The US is supplying just over half the 226 combat and support aircraft involved in the Bosnian operations.

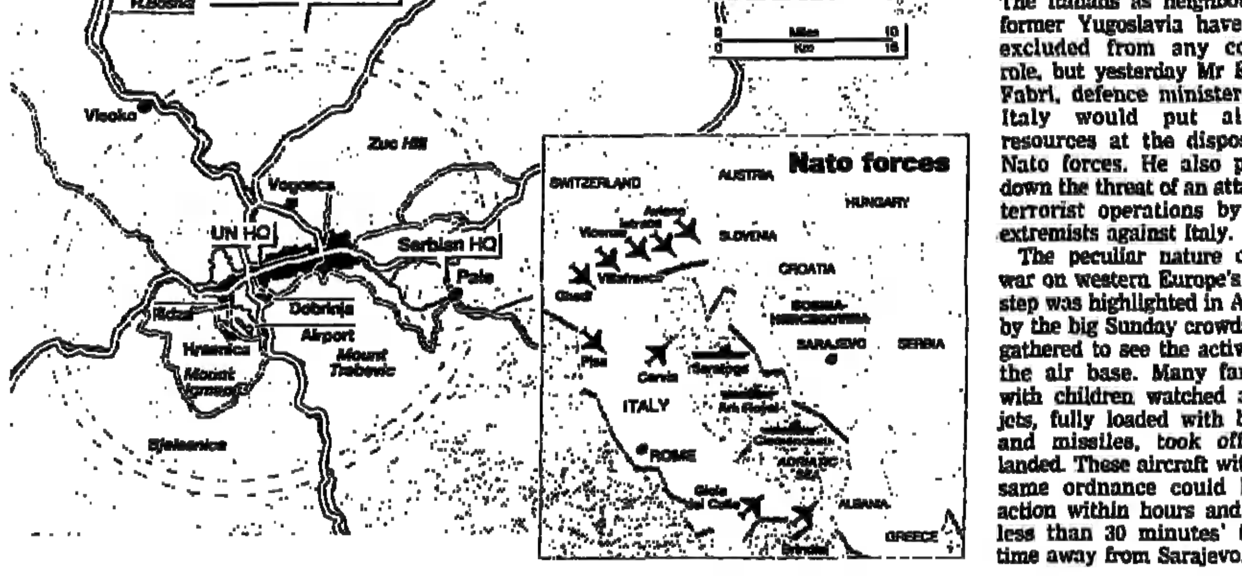
However, he admitted that bad weather over Sarajevo was "a significant handicap". For the past month operations have been limited and some of the pilots here have said in private that with poor visibility, precision operations are difficult despite the technology available.

Mr Perry himself said that even if weather was a limiting factor this would not stop Nato action. In a communiqué after their meeting, held with Nato commanders and a representative of UN forces in former Yugoslavia, the ministers stated their determination "to support actions to end the slaughter of innocent civilians in Sarajevo and reinvigorate the peace negotiations".

The ministers refused to be drawn on whether the Serbs had abused the spirit of their agreement to withdraw by concentrating their heavy weapons in strategic sites or in areas which were heavily populated – thus complicating any combat mission by Nato. However, they said UN forces on the spot would be able to take control of those Serb weapons which were not in the designated places, and they would also have the authority to disable them. This was taking place last night.

The operations are being co-ordinated by Admiral Michael Boorda, the commander of Nato's southern flank, from his headquarters outside Naples. The Italians as neighbours of former Yugoslavia have been excluded from any combat role, but yesterday Mr Fabbio Fabri, defence minister, said Italy would put all its resources at the disposal of Nato forces. He also played down the threat of an attack or terrorist operations by Serb extremists against Italy.

The peculiar nature of the war on western Europe's doorstep was highlighted in Aviano by the big Sunday crowds who gathered to see the activity at the air base. Many families with children watched as US jets, fully loaded with bombs and missiles, took off and landed. These aircraft with the same ordnance could be in action within hours and were less than 30 minutes' flying time away from Sarajevo.



Supporter of Russian PM urges western aid

By Leyla Boulton in Moscow

Mr Arkady Volsky, chief of a Russian industrialists' and entrepreneurs' union, called at the weekend for western capital to support what he called the new government's attempts to restore "basic organisation" to the economy in order to continue reforms.

Mr Volsky, a close associate of Mr Victor Chernomyrdin, the prime minister, who has called for "non-monetary" means to fight inflation and more state intervention in the economy, denied Russia lacked the right political and economic conditions to receive large-scale financial assistance.

He also called for "international compensation" to Russia for "billions of dollars" it had lost because of its adherence to sanctions against the former Yugoslavia, Iraq and Libya.

Mr Chernomyrdin has continued to issue conflicting signals about the intentions of his new economic team of former industrial managers. "They are scared of being blamed for fuelling inflation. They do not know what to do. They have made promises but no decisions," said one reformer still in the government.

On Friday, Mr Chernomyrdin signed a document bringing closer a controversial monetary union with neighbouring Belarus. Although the terms of the proposed union have yet to be made public, this project will inevitably mean increased pressure on Russia's finances.

In an attempt to lessen the burden of neighbouring republics, Russia last year cut energy supplies to the Commonwealth of Independent States by 40 per cent for oil and 25 per cent for gas, according to official figures published yesterday.

Mr Chernomyrdin also reassured Ukraine that Russia had no desire to take back the Crimean peninsula after Crimea's new president, who has promised a referendum on reunification with Russia, asked a former Russian deputy premier to head his government.

Pending a speech next Thursday, when President Boris Yeltsin is expected to clarify whether he endorses Mr Chernomyrdin's economic policy shift, the Russian prime minister has also issued instructions to make it more difficult for ailing companies to be declared bankrupt.

As well as trying to attract western investment to ailing enterprises, Mr Chernomyrdin is desperately trying to persuade the International Monetary Fund to unlock a new \$1.5bn loan to help him support new budget expenditure. Mr Volsky's open letter is clearly designed to aid those efforts.

● In a sign of some continuing western efforts to support Russian reforms, Russia's privatisation ministry, headed by the only senior radical left in the government, unveiled a service providing free capitalist expertise to help managers of privatised enterprises.

Advisers provided by leading western companies will assist with business plans, rationalisation and cost cutting programmes, as well as staff training, and searching for foreign investors.

Defiant Serbs drink toast to Russia

Soldiers confident that Nato deadline will pass without air strikes

Bosnian Serb forces, coolly defiant to the last, laid plans for campfire barbecues and night skiing on the hills around Sarajevo yesterday, confident Nato's deadline would pass without air strikes on their remaining guns, AP reports from Pale.

"We want to make it easier for Nato planes to spot us," joked a Serb officer as he outlined plans for roasting oxen and lambs over fires on Mount Trebevic, overlooking Sarajevo.

Hundreds of Serbs chanting "Greater Serbia" and "Long Live Russia" gave a heroes' welcome to their Orthodox Slav brothers – Russian peacekeepers en route to Sarajevo – as they arrived in this Bosnian Serb stronghold, about 10 miles to the south-east.

Home-made brandy, bread and salt were passed in traditional welcome as soldiers and Serbs alike exulted. "We feel safe now, because they're our brothers," said a 15-year-old Serb girl, weeping with joy. "Everybody here feels the same."

It was a Russian pledge last Thursday to bring the 400 peacekeepers to Sarajevo that enabled Mr Radovan Karadzic, the Bosnian Serb leader, to promise to withdraw the heavy guns that have besieged and bombarded the Bosnian capital for almost two years.

Mr Karadzic himself was among the crowd shaking hands with the Russian soldiers, who held out three fingers in the traditional Serb victory sign.

Children clambered over the trucks and armoured personnel carriers in the 67-vehicle Russian convoy, saluting the soldiers.

The Bosnian Serb Olympics, being held in memory of the Sarajevo Olympics 10 years ago, scheduled night skiing on the slopes of Mount Jahorina just five hours before Nato's ultimatum expired at midnight GMT.

In Grbavica, a Serb-held section of southern Sarajevo, Bosnian Serb forces showed no fear of Nato bombs.

"We are not afraid, we can fight back their infantry attacks with our 7.62-calibre automatic rifles, which are not supposed to be under UN control," said Second Lt Danko Przulj, speaking in a bunker built in what used to be a heating plant.

His bunker is only 70 yards from Bosnian government troop positions across the Miljacka river that flows through Sarajevo. From two loopholes, the buildings housing Sarajevo defenders could be clearly seen.

"The latest ceasefire has been respected by both sides," said Lt Przulj. "It was never as quiet as it has been in the past 10 days."

Grbavica streets saw heavy fighting between former neighbours in May 1992, early into Sarajevo's 22-month siege. Damaged buildings stand in mute testimony to destroyed friendship and joint life in multi-ethnic Sarajevo.

Black plastic covers about 50 feet high hang like curtains between buildings, shielding residents from the government snipers who residents claimed have killed many Grbavica civilians.

Weary of war and broken promises, Sarajevans shrugged in resignation yesterday as word spread that not all Serb siege guns would be surrendered by midnight in accordance with the Nato ultimatum, Reuter reports from Sarajevo.

"I haven't had high hopes since day one of the ultimatum," said Alen Becirbegovic, 22, a soldier in the Moslem-led Bosnian army. "The Nato threat wasn't strong enough. The Serbs outwitted Nato and the United Nations."

"What's left of these weapons should be bombed," said 27-year-old Anis Mehic, a student. "Ultimatums should be carried out in full measure. Otherwise we are just spinning in small circles."

The weather lifted in Sarajevo yesterday after several days of snow and the streets were crowded with people pulling sledges loaded with jerry cans of water, relief parcels and firewood scrounged from the city's supply of shell-blasted buildings.

As residents trudged down snowy lanes, Nato jets roared overhead taking advantage of clearing skies for last-minute reconnaissance flights.

Russia 'unable to follow western market model'

By James Blitz

One of Britain's leading political scientists has sharply attacked expectations that the former Soviet Union could become a fully fledged market economy, saying it does not have the legal and cultural infrastructure which allowed this development in the west.

In a pamphlet published today, Dr John Gray of Oxford University claims that western governments are mistaken to think that Russia will converge smoothly on any western model of economic development.

In particular, he attacks recent attempts by economists such as Dr Jeffrey Sachs to transform the Soviet economy by means of "shock therapy".

Dr Gray says the common inheritance of central planning in post-communist societies will make it very difficult for them to follow western style economic development.

These countries, he says, "lack almost entirely the legal and institutional infrastructure of the market on which economic take-off was based". But he also argues that these legal and institutional structures cannot be created quickly by policymakers.

He argues that such institutions are "human practices that always come deeply embedded in matrices of cultural tradition". "It is [market institutions'] very nature to be plural and diverse."

Post-communist societies in transition: A social market perspective. Published by the Social Market Foundation, 20 Queen Anne's Gate, SW1H 9AA

Hungary defence chief heads party

Defence Minister Lajos Fuer will lead Hungary's main governing party, the Hungarian Democratic Forum, into May elections, AP reports from Budapest.

Mr Fuer was elected new president of the Forum in a vote late Saturday at the party's congress. The Hungarian Democratic Forum is the leading party in the conservative coalition government, whose popularity is slipping because of economic woes.

Mr Fuer, 55, a historian, was the sole candidate. He won 685 of 729 ballots cast.

He was arrested by Russian troops after the suppression of the 1956 revolt and briefly interned. He was a founding member of the Forum and a member of its national presidium since 1988.

"I will continue the policies of the late prime minister Jozsef Antall," he told the delegates. Mr Antall, who died in December after battling cancer, held both the party chairmanship and premiership.

Mr Antall's successor as premier, Mr Peter Boross, said he did not want both posts.

Mr Fuer told the three-day congress his party has a chance of getting between 20 and 30 per cent of the votes in the May parliamentary elections.

Recent polls indicated the Forum would gain only 8 per cent of the vote.

Branch closure hinders efforts to keep money pouring in to controversial scheme

Romania acts against pyramid craze

By Virginia Marsh in Snagov

The Romanian authorities have taken public measures against Caritas, the money-spinning pyramid scheme, for the first time in its 22-month existence.

The scheme's branch at Snagov, outside Bucharest, was open for just eight days before local authorities found a reason to close it last week. Caritas, which at its peak last year attracted some \$1bn (£685m) in deposits from a total of 4m Romanians, did not have a legal lease on its premises, they said.

The move foils a bid by Mr Ion Stoica, the head of Caritas, to keep money coming into the scheme by opening new branches around the country.

Mr Stoica was forced to move further afield after investor confidence in the Transylvanian town of Cluj, where he founded his "society for mutual help", evaporated when the scheme stopped making regular payments in the autumn.

Since then only a handful of the hundreds of thousands who were promised a seven-fold return on their money in three months have received their "winnings".

Many have been left penniless after investing their life's savings in the scheme in the hope of protecting themselves against annual inflation of 300 per cent and rising poverty.

Mr Stoica, on the other hand, is believed to have collected \$100m in commissions alone.

Press reports of poverty-stricken investors and warnings from President Ion Iliescu have not been enough to kill off the Caritas craze.

Thousands of naive and desperate Romanians have continued to put cash into new branches or in the many other similar schemes which have sprung up in its wake.

At Snagov, some 5,600 investors sank the equivalent of \$840,000 into the Caritas branch within just four days of its opening, according to company ledgers examined by financial police.

Many said depositing early would increase their chance of winning. "I was one of the first in Cluj and I won 500,000 lei [£231]," one factory worker said. "That's why I'm here again at the beginning."

Others had lost money in Cluj but, spurred on by Mr Stoica's promise to relaunch the scheme in Bucharest, now hoped to become winners.

Mr Stoica's promise was relayed to the country in a half-hour interview on state-controlled television aired at prime time which would have cost \$20,000 if run as a commercial. Free advertising time is just one of the many favours Mr Stoica has enjoyed on the way to amassing his fortune.

In Cluj, Caritas enjoyed the patronage of the mayor, Mr Gheorghe Funar, who is also president of the Romanian parliament's largest nationalist party.

Caritas, which was given offices in the town's sports stadium, boomed after Mr Funar endorsed it alongside Mr Stoica on television and at rallies. "Donations" from the scheme paid for the mayor's grandiose public works schemes.

Mr Funar's party is now negotiating with the ruling party to form a new governing coalition. In recent weeks, local authorities in other towns have closed down smaller rival pyramid schemes and arrested organisers on grounds of fraud and embezzlement.

But Mr Stoica, who says he has a list of MPs and other senior officials who have profited from Caritas, remains free.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International).
Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 Copenhagen K. Telephone 33 13 44 41, Fax 33 93 53 35.

NEWS: INTERNATIONAL

German trade union chief presses for new offer from employers

IG Metall steels itself for strike

By Christopher Parkes in Frankfurt

Germany's engineering industry will face its worst labour conflict in more than 10 years if employers persist with their demands for a pay freeze and an end to holiday bonuses, Mr Klaus Zwickel, president of the IG Metall union, warned at the weekend.

The union had enough reserves to fund stoppages for several weeks, despite the cost of DM41m (£16.1m) a week for every 100,000 people called out, he said. Bracing members for selective strikes, expected to start in the second week of March, Mr Zwickel said talks could resume only if employers tabled a firm new offer.

However, industry officials showed no signs of obliging. Mr Dieter Kirchner, chief executive of the Gesamtmetall employers' association, said he no longer believed a peaceful settlement was possible. IG Metall had removed the prospect by demanding the employers should surrender their position as a precondition for further talks, he added.

The union's national leadership is due to meet in Frankfurt today to select the region in which to call the first strike ballot. The old industrial heartland of North Rhine-Westphalia, Bavaria, Hesse and the northern part of Baden-Württemberg, are among the most likely targets.

The choice will depend on the union's chances of causing maximum national disruption by cutting off supplies of parts and equipment for factories elsewhere, and regional leaders' reports on the likelihood of winning maximum backing in a ballot. Strike action requires a 75 per cent Yes vote.

Despite the apparent inevitability of stoppages, observers suggest the conflict will be short-lived, although bitter. Employers have warned they will resort to lock-outs at non-striking factories affected by stoppages elsewhere.

If no negotiated solution is found in the period between the ballot and the start of strikes, industry observers expect the two sides to agree to binding arbitration sooner rather than later.

Both sides have already shown considerable flexibility. The union has backtracked on original claims for wage rises of up to 6 per cent, while employers have relaxed their insistence on the scrapping of holiday bonuses, worth some 75 per cent of a month's pay.

The main difficulty has arisen over the issue of how workers should be paid for working flexible hours – between 30 and 40 hours a week according to the needs of individual factories.

Although both sides have already accepted this in principle as the most suitable means of slowing the rate of job cuts, Gesamtmetall claims the union's demands will raise hourly pay rates and unit labour costs.

The employers justified their original proposals, based on a nil pay increase, with claims that German wages were making the whole industry uncompetitive.

Miners with distress flares demonstrate in Paris at the weekend against planned pit closures

Kohl tries to rouse the party faithful

By Quentin Peel in Bonn

Chancellor Helmut Kohl today faces one of the greatest challenges of his long career in German politics: to persuade his own Christian Democratic Union to shake off a mood of deep pessimism and believe that it can win the general election in October.

The odds are against him. Some 1,000 delegates will assemble in Hamburg for the three-day party conference to launch an eight-month marathon election campaign. The CDU is trailing behind the rival Social Democratic party (SPD) in the opinion polls, and Mr Kohl's own popularity stands even lower.

The latest poll by the Allensbach institute put the CDU and the Christian Social Union (CSU), its Bavarian sister party, on a combined 35.1 per cent in both halves of the country, against 40.9 per cent for the SPD. As for the chancellor's personal rating, it stood at 26 per cent last week, against 35 per cent for Mr Rudolf Scharping, the youthful challenger leading the SPD.

A large majority of electors now expects a change of government in October, and even in the ruling parties there is no majority in favour of maintaining the current coalition between CDU, CSU and the liberal Free Democratic party (FDP).

Reports from local party organisers around the country suggest gloom about Mr Kohl's prospects, not only for re-election as chancellor in eight months, but also for the CDU to stage a comeback in a string of local and state polls over the intervening months.

Yet Mr Kohl is clearly intending to rely on his own irrepressible self-confidence, and an attitude of extraordinary calm and composure, to shrug off all fears of defeat in the coming months.

In two interviews last week, he showed a refusal to pay attention to the polls, or to national pessimism about the economic recession and rising unemployment.

"We must not let ourselves be blown off course by every contrary breeze," he told the daily newspaper Die Welt. "I see no reason for pessimism or fatalism... Everybody is preaching about this lousy mood in the country, but I refuse to let myself be infected by it."

The Allensbach opinion poll also showed one other key trend in Mr Kohl's favour: voters are starting to drift back to the main parties – both SPD and CDU – from the protest parties. The extreme right-wing Republicans showed a drop in support of almost half, from 4.6 per cent to 2.7 per cent, and the Greens showed a fall from 10.2 per cent to 9 per cent. The SPD was up four percentage points on the previous poll in December, and the CDU by two points.

In spite of a large grumbling minority within the CDU about Mr Kohl's lack of direction in his leadership, and his own unpopularity, no one expects any serious attempt at a coup against him at the party conference.

The official aim is to endorse a new basic political programme for the party, its first new draft since 1978, and in particular, the first for a unified Germany.

There could still be mildly stormy debates about Europe – should the word "federal" be applied to European integration or not – about the environment, and about family policy.

Some want the party to be committed to a new goal of an ecological economy as well as the traditional "social market".

There is a controversial move to introduce a new tax on the childless, to help finance the soaring cost of old-age pensions.

The whole affair, however, is about how to win the next elections. The new party programme is called "Freedom and Responsibility". Yet the real party programme is called quite simply "Helmut Kohl".

As the Cologne Stadt Anzeiger newspaper said last week: "With Kohl, many admit it will be difficult to win. Without him, they know the election is as good as lost already."

● A new protest party has attacked Mr Kohl for his pro-Europe stance on the eve of the CDU congress. The Alliance of Free Citizens said the CDU was anti-constitutional in striving for a European Federation. Mr Manfred Brunner said Mr Kohl had signed a death sentence on the D-Mark.

Support for Balladur slips

Support for Mr Edouard Balladur, the French prime minister, has fallen below 50 per cent for the first time since he took office last March, according to a poll published yesterday, John Ridding reports from Paris.

The IFOP poll, in the weekly Journal du Dimanche, showed the percentage of voters satisfied with Mr Balladur had fallen by nine points to 47 per cent over the past month. The proportion of dissatisfied voters increased by 10 points to 43 per cent.

This followed other polls of the past few weeks which have shown a decline from an unusually high approval of more than 60 per cent. They appear to reflect concerns about the government's failure to curb the rise in unemployment, as well as specific issues such as the fishermen's strike this month.

Political analysts pointed out that support for Mr Balladur remains high, compared with previous French prime ministers and his international counterparts.

The decline in his popularity, however, has given heart to political opponents. Mr Michel Rocard, Socialist party leader, who trails Mr Balladur in the polls, said the political left would be in a position to challenge the prime minister in presidential elections, due in May next year.

In an interview with Le Figaro, Mr Rocard said the prime minister had failed to provide a vision for where France would stand in 10 years. Mr Balladur has also faced criticism within the his own centre-right RPR-UDF coalition government because he is seen as not doing enough to revive the economy.

A package of fiscal measures to boost the economy were announced at the end of last month and criticised as timid by some members of the RPR. Public discontent over Mr Balladur's failure to check unemployment of 12 per cent has also been rising after initial satisfaction with his crackdown on crime and firmness in world trade talks. Riots by fishermen this month have been cited as a sign of simmering anxiety.

Disputes on details may hinder EU enlargement

By David Gardner in Brussels

Concern is growing that negotiations to bring Austria, Sweden, Finland and Norway into the European Union by next January could sink into a quagmire of detail, during the final stretch of ministerial talks starting today in Brussels.

The two-day talks between foreign ministers of the 12 and the four applicants will be followed by marathon negotiations over February 25-28, and probably a third attempt in early March.

Unless a deal is finalised by the second week of March, the European Parliament will be unable to examine the accession treaty and the referenda all four candidates have promised their voters could be blown off course.

In spite of some softening by both sides on central issues such as agriculture and regional subsidies, tough bargaining on secondary issues and on money is spreading pessimism among negotiators.

Mr Esko Aho, the Finnish prime minister, said on Friday that EU prime ministers' support for enlargement had not percolated down to the negotiating table.

One EU negotiator said at the weekend it was becoming "more and more difficult to get a deal within the Union," especially on how much money the relatively rich candidates should put into the EU budget, on fishing rights, and on subsidies to Nordic and Alpine farmers and the thinly populated Arctic regions of Sweden, Norway and Finland.

Spain is leading attempts to get the new members' net financial contributions to the EU funnelled into regional aid for southern member states. But the European Commission's plan to set the four's net EU charges at a modest Ecu1.7bn (£1.3bn) is building resistance to a solution on agriculture and regional aid that the four applicants could sell to their voters.

Attitudes are hardening inside the 12, moreover, because Sweden says it can pay only 40 per cent of its estimated annual Ecu765m net contribution in the first three years of membership, while Austria too wants to phase in its net Ecu752m payments.

Spain, with support from the UK, wants guarantees that EU expansion will not dilute the existing rules enabling alliances within the 12 to block measures affecting their national interests.

Nevertheless, negotiators expect early progress on issues such as restrictions on buying holiday homes in the candidate countries, on scaling down Nordic alcohol monopolies, and on Nordic duty-free regimes.

Talks over Spanish car row

By David White in Madrid

Spanish government and regional authorities face crucial talks this week on the future of a Japanese-controlled car plant in the southern town of Linares, where roughly half the population took to the streets in a protest at the weekend.

The threatened closure of Santana Motor, a subsidiary of Suzuki making four-wheel-drive vehicles, could become a big political issue four months before regional elections in Andalucia, a stronghold of the country's ruling Socialists and home territory of Mr Felipe González, the prime minister.

The demonstration on Saturday, involving an estimated 25,000 to 30,000 townspeople, was provoked by Santana's announcement that it was seeking protection from creditors after heavy losses.

The Santana plant employs 2,400 and is the only large factory in the area since the disappearance of the town's mining. About 60 per cent of the Linares people are reckoned to depend on it.

Mr Juan Manuel Eguigaray, industry minister, is to meet management today.

Suzuki, which owns about 80 per cent of the company, said it was willing to plough in Pts5.27bn (£25.4m) to cover losses from the start of last year, but no more. The Madrid stock exchange commission suspended trading in Santana shares on Friday.

Unions blamed the Socialist regional authorities, the Madrid government and Suzuki. They accused the company of "blackmail" and of using the workforce as hostages to obtain subsidies.

Nigeria to face debt arrears pressure

By Paul Adams in Lagos and Michael Holman in London

British government officials are expected to express concern about Nigeria's growing external debt arrears, in talks in London today with Mr Kalu Kalu, the country's finance minister.

Arrears on Nigeria's $28bn (£19bn) external debt exceed $6bn and are expected to reach $8.5bn by the end of this year. The military government's decision to revalue the naira in last January's budget and reintroduce an import licensing system has deepened the rift with the International Monetary Fund. Most creditors now rule out an early policy agreement with the Fund, on which debt rescheduling would be conditional.

Mr Kalu, who arrived in London at the weekend, is on a 10-day visit to London, Washington and Paris in an attempt to restore confidence in General Sani Abacha's regime.

Gen Abacha dropped plans for a handover to an elected civilian government, prompting western governments to introduce limited sanctions, including visa restrictions.

During his meetings Mr Kalu will try to convince officials that Nigeria will keep its promise to remove the budget deficit, and that government controls on the economy will be relaxed by the middle of this year.

He is also likely to point out that the decline in oil prices has wiped at least 30 per cent off Nigeria's export earnings in the past 12 months.

Western creditors were dismayed when the 1994 budget pegged interest rates well below inflation, centralised the allocation of foreign exchange and fixed the exchange rate at twice its market value.

Over half Nigeria's external debt and nearly all the arrears are owed to the Paris Club, which has linked debt relief to economic policies approved by the the IMF.

Economists have raised doubts about the forecast balanced budget which makes no provision for servicing domestic debt, which officials estimate at N370bn (£11.5bn).

Mr Kalu, who as finance minister in 1986 argued strongly for economic reforms based on a market-determined exchange rate, has put his reputation at stake since his appointment to the ministry by General Abacha.

Most observers saw the budget as incompatible with the private views of Mr Kalu, who has worked for the World Bank. Many fear that control of policy making is in the hands of a clique of populist politicians who oppose Mr Kalu's prescription for economic deregulation.

Efforts to avert election boycott make no progress

SA right affirms hard line

By Patti Waldmeir in Johannesburg

The murder of 15 African National Congress election campaigners at the weekend cast a shadow over preparations for South Africa's first all-race poll, while constitutional negotiations aimed at averting a right-wing election boycott appeared to have foundered.

An important session of multi-party constitutional talks will go ahead today to pass final amendments to the 1993 constitution in an effort to accommodate the right wing by strengthening the powers of regional governments and creating the possibility of an Afrikaner homeland after the elections.

The African National Congress is to hold last-minute meetings with two of the three members of the right-wing Freedom Alliance – the government of the black homeland of Bophuthatswana and the Afrikaner Volksfront – before today's session, but negotiators were not optimistic.

They said it appeared that the Inkatha Freedom party of Chief Mangosuthu Buthelezi would not accept the amendments, and prospects for persuading the other two groups to contest elections were also slim, though some moderate members of each group might split from their hardline leaders. This would weaken the right politically, but might not substantially affect right-wing opposition to elections.

The risks of failure were highlighted when two 12-year-olds, 10 teenagers and three young adults were shot and stabbed to death on Saturday before an ANC voter-education drive in the rural Natal village of Creighton. Local ANC chairman Harry Gwala blamed supporters of Chief Buthelezi, who is campaigning for a boycott of the election.

In a fighting speech yesterday to some 20,000 supporters the chief told his supporters they might have to die for their beliefs. He vowed never to submit to ANC dominance, saying an ANC government would oppress his people more cruelly than the white apartheid government had done. "It is far more noble to resist evil and die if necessary for what you believe in than to live in chains," he said.

Chief Buthelezi is not alone in his opposition. Mr Lucas Mangope, leader of the Bophuthatswana homeland, warned in an address on Saturday that he would accept nothing less than self-determination for his Batswana tribe.

"If this means an intensification of the long-running campaign to. . . topple my government then we will fight fire with fire," he said.

Mr Mangope and Chief Buthelezi have joined forces in the Freedom Alliance with white conservatives including former army chief Constand Viljoen's Afrikaner Volksfront. The Afrikaans newspaper Rapport said yesterday it had documents detailing AVF plans for a civil war if the election goes ahead, although the AVF said these were not genuine.

Zulus supporting the Inkatha Freedom party head for a rally in Piet Retief, east of Johannesburg, where King Goodwill Zwelethini urged them to back his struggle for a Zulu monarchy. Reuter

Kenya lifts curbs on borrowing

By Michael Holman in London and Reuter in Nairobi

Kenya has lifted restrictions on local borrowings by foreign-controlled companies, and plans to repeal remaining foreign exchange controls by the end of the year.

The move was announced at the weekend by Mr Musalia Mudavadi, the finance minister.

It is the latest step in a reform programme designed to attract foreign investment, restore confidence among aid donors and revive growth. Earlier in the week, in an interview in Nairobi with the Financial Times, the minister said that the government hoped to remove all foreign exchange controls by the end of the year.

But Mr Mudavadi warned that economic growth would be hard hit by the country's drought. President Daniel arap Moi has appealed for international help for a $60m (£41m) programme to feed about a fifth of Kenya's 26m people.

In his statement lifting the local borrowing restrictions, the minister said: "Commercial banks will be expected to exercise their prudential credit policy in assessing the viability of each borrower."

The statement also allowed unlimited borrowing by Kenyans resident abroad to finance investment in Kenya. This would include working capital provided interest charged did not exceed two percentage points above Libor (London inter-bank offered rate).

Kenyans with foreign exchange earnings, including non-export earnings, may now open foreign currency accounts with banks in Kenya and exporters may hold wholly-foreign retention accounts.

Previously, exporters were allowed to hold 50 per cent of their earnings in hard currency. Mr Mudavadi said existing retention accounts would be converted to resident foreign currency accounts but exporters were still required to surrender proceeds within 90 days of receiving them.

● The International Monetary Fund has told Sudan it has launched the process to terminate its IMF membership, Reuter reports from Khartoum.

The government-owned al-Ingaz al-Watani newspaper yesterday reported that Sudan had, however, been given the chance to answer before a final decision was taken.

The finance minister, Mr Abdalla Hassan Ahmad, said the fund's technical experts would meet soon to consider Sudan's response. Sudan would be the first country to be thrown out of the fund since it was created shortly after the second world war.

Tough decisions lie ahead for Kuwaitis

Oil prices are weak and parliament is strong, reports Mark Nicholson

With oil prices near a five-year low, an unfamiliar sound is emanating from the Gulf states: the creak of tightening belts.

Saudi Arabia began this year pledging to cut government spending by a fifth. Oman said it must trim its budget by 10 per cent. Qatar is cutting where it can. In recent weeks, Kuwait has joined in. Kuwait's finance minister, central bank governor and others have all signalled the need for big cuts in state spending.

Each Gulf government faces a tough task, since either cutting spending or raising revenues through higher fees on state-provided services (income taxes in the Gulf are politically inconceivable) would mark the first time in recent history that these "oil rich" kingdoms, emirates and sheikhdoms have had to face eroding the panoply of benefits each offers their nationals.

Kuwait's task, however, is perhaps the stiffest since unlike its neighbours the government has an elected parliament to deal with. And it already appears that the opposition-dominated National Assembly is in no mood to fall easily in line with the government's austerity calls.

Such calls have been issuing with increasing shrillness from Kuwaiti policymakers – a measure partly of the worsening outlook for state finances, but partly also of the government's appreciation that, for the first time in its experience, it must persuade a strong and recalcitrant parliament. Mr Nasser al-Rodhan, the finance minister, has recently begun using such uncharacteristic Kuwaiti words as "urgent reforms" and "sacrifices".

The reason for such calls is plain enough. Kuwait had already budgeted for a KD1.2bn (£2.7bn) fiscal deficit for 1993-94 before oil prices weakened. In January, however, Mr al-Rodhan revealed that at the mid-point of Kuwait's June-July fiscal year, the state had already reached 67 per cent of the budgeted deficit. Worse, soft crude prices forced the government to revise its calculus for oil revenues – 89 per cent of state income – from 1.74 barrels per day of oil sold at an average $15 a barrel, to 2m barrels a day sold at $10.50 a barrel.

This implies a big cut in revenues, though since the official budget includes neither defence spending nor investment income, it is impossible accurately to forecast the budgetary gap for 1993-94. However, senior officials say they expect Kuwait to manage this deficit from its own resources, partly through domestic treasury bill sales and partly from overseas investment income.

Kuwait's overseas holdings were slashed from just under $100bn before the Gulf war to nearer $35bn today, in a fire-sale to finance the war's costs. But the remaining holdings earned a return of around 20 per cent in 1993, thanks largely to bullish world equity markets. "Last year our assets grew at a rate more than enough to pay for the deficit," says Mr Ali Rashid al-Badr, managing director of the Kuwait Investment Authority.

But problems lie ahead. Kuwait cannot rely on continued buoyancy in world equity markets any more than on a sharp recovery in crude prices. But state spending will rise in 1994-95 as Kuwait starts repaying principal on the $5.5bn syndicated loan taken out after the Gulf war, adding $2.7bn to annual outlays. Under such additional pressure, Kuwait apparently has little option but to cut spending elsewhere, or to raise revenues. Either would mean impinging on the high salaries, subsidised services and other comforts which put Kuwait among the most padded welfare states in the world.

More than 95 per cent of employed Kuwaitis, for instance, work in the public sector. Salaries, accordingly, devour 52 per cent of government spending. Healthcare, power, petrol, water and telephone calls are so heavily subsidised as to be virtually free. But senior government figures believe this is unsustainable. Sheikh Salem al-Sabah, the central bank governor, says: "Kuwaitis will have to suffer over the next two to three years – we have no choice."

The problem will be convincing Kuwait's National Assembly, which, through a combination of its own industriousness and the diminished authority of the ruling al-Sabah family since the Gulf war, has become the most powerful in the state's history. It has already passed laws mandating parliamentary scrutiny of some state investments, has investigated allegations of corruption and mismanagement in Kuwait's Spanish investments and is seeking further to expand its powers of veto and supervision.

Government budget proposals will have to be approved by the National Assembly in spring. But talk of cuts and other radical solutions to Kuwait's economic straits is unlikely to win much sympathy. The government has begun to air such notions as privatisation and direct foreign investment, even in the country's strategic oil industry. But MPs see privatisation largely as a process likely to cost Kuwaitis jobs. Talk of even limited foreign investment in the banking sector was met earlier this month with instinctive cries of "neocolonialism" among MPs.

As for the need to cut spending, or raise state revenues, few MPs seem to consider this message has got across to most Kuwaitis, and fewer show much inclination to be associated with such unpopular decisions. "There's not yet the feeling we must do anything, certainly not that we should make sacrifices," says Mr Abdulla al-Nibari, an opposition MP. He also echoes a widely held view that a government associated with alleged fraud and mismanagement in the state's multi-billion-dollar investments would find itself on shaky ground if it tried to persuade Kuwaitis to cut their living standards.

A tough and perhaps immobilising struggle between the government and the assembly is therefore in prospect. With this in sight, many leaders of Kuwaiti society, particularly senior members of Kuwait's main merchant families, have been lobbying the ruling family to shake up the system and pre-empt a debilitating political impasse. In private consultations with Sheikh Saad al-Sabah, the prime minister and crown prince, they are understood to have expressed disappointment with his apparent inability to impose himself on either his cabinet colleagues or parliament itself.

The next step in what promises to be an intricate ballet by Kuwait's cautious ruling family, its dogged parliament, anxious economic policymakers and some increasingly frustrated merchants may well be a cabinet shake-up. Kuwait newspapers quoted "highly informed sources" earlier this month as saying the 16-member cabinet would be shuffled after the present holy month of Ramadan to enable some much needed "quick decision-making".

All of this is bound to be persuading Kuwait's equally financially pressed neighbours that the last thing they need on top of cash flow problems is an elected parliament.

Amman pact ends Yemen's political crisis

By James Whittington in Amman

An agreement ending Yemen's seven-month political crisis was signed in Jordan yesterday with the aim of averting civil war and the collapse of Yemen's fragile unification between north and south.

The agreement was signed by Yemen's two main leaders, President Ali Abdullah Saleh and Vice President Ali Salem al-Biedh, but Jordan's King Hussein had to literally force the two rivals to shake hands.

The crisis began in August 1993 when Mr Biedh left the capital, Sana'a, in the north for his political base, Aden, in the former South Yemen. Frustrated by what he saw as a centralisation of power in the north, a lack of security in the country and mismanagement of the economy, he threatened to reverse the 1990 union between the two former Yemens unless the government adopted a programme of national reform.

The document signed in Amman goes some way to meeting Mr Biedh's demands but diplomats in Sana'a were not confident it would hold.

King Hussein's mediation in the dispute is being portrayed in Amman as a boost to Jordan's standing in the Arab world after the marginalisation which followed the Gulf war in 1990. The ceremony was witnessed by dignitaries including Mr Yassir Arafat, Palestine Liberation Organisation chairman, in the largest political gathering in Amman since the 1987 Arab League summit.

INTERNATIONAL PRESS REVIEW

South Korea

South Koreans have expressed concern about US press coverage of the North Korean nuclear issue, which at times has been alarmist – such as a detailed scenario for a Second Korean War published in the **New York Times** early this month. Mr Han Soon-joo, the South Korean foreign minister, privately protested about the sensational reporting to US officials when he visited Washington last week.

In an interpretation that reflects traditional anti-US sentiments, some Korean media have suggested that the US press reports are part of a campaign by "American hardliners" to raise tensions on the Korean peninsula. Their goal is to persuade Seoul to buy more US weapons, such as the Patriot missiles that Washington recently announced would be sent to South Korea.

"If a war occurs on the peninsula, the Koreans' survival would be at stake. But a war here would have little effect on the destiny of America across the ocean and would rather serve to boost the sagging business of the US defence industry," said the national **Yonhap news agency**.

That view was also reflected in a cartoon in **Hankuk Ilbo** following North Korea's announcement last week that it would accept renewed international nuclear inspections. It shows customs official waving down a truck bearing Patriot missiles from the US. "Please stop. North Korea has accepted nuclear inspections," says the guard. "Gee, now where am I going to sell them?" replies the driver.

"No one can deny that there has been a disparity between Korea and the US in the perception of the North Korean nuclear issue," said **Dong-Ah Ilbo**. "The US has been dealing with the problem from a standpoint of global strategy aimed at ensuring the stability of the nuclear non-proliferation system. Korea has been handling the issue as a special condition within the framework of relations between the two Koreas."

Chosun Ilbo pointed out that differences between Seoul and Washington also rest on the South Korean perception that it has been sidelined during the negotiations on the nuclear issue, which have focused on contacts between North Korea and the US.

Poland and the Czech Republic

In stark contrast to the hue and cry of the press in Austria, Hungary and Bulgaria about Bosnia, Poland and the Czech Republic have been almost silent this week over Nato's ultimatum on air strikes. As the Nato deadline neared, only the **Gazeta Wyborcza**, a Polish daily read by around 5m Poles, devoted a commentary to the subject. The columnist noted that the threat to use force meant that the "western world was beginning to rebuild its *political, military and moral credibility*". The paper added that Russia was fighting to *retain credibility* as a *regional* power in the Balkans. "After being completely eliminated from the Middle East and after eliminating itself, for lack of money, from the third world, Moscow is now concentrating on organising a sphere of influence in its closest neighbourhood," it said. This, according to the writer, would include Serbia.

Gazeta Wyborcza adds that the Nato threat, if followed through, would be the alliance's first military action since its formation in 1949. It would also mean that Nato would be extending its sphere of influence to Bosnia, a welcome precedent for Poland, which wants to be covered by Nato's umbrella.

While most Czech newspapers approved with reservations Nato's ultimatum, domestic interest has focused on the contrasting views of President Vaclav Havel, who strongly supported Nato's decision, and Prime Minister Vaclav Klaus, who was cool towards Nato involvement. Mr Klaus expressed fears about foreign intervention, warned of rising violence and said he was "fully convinced" that Nato would *not* make air strikes against Serb positions.

As with most things, Czech concerns tend to be predominantly parochial, explaining the considerable coverage given to the dispute.

In an article headlined The Protracted Malaise of Foreign Policy the independent daily **Mlada Fronta Denes** argued "the Czech state cannot afford differences of opinion between its president and premier on the possible bombardment of a not-so-remote European country".

The left-wing **Rude Pravo** warned that subsequent attempts to present the difference as merely one of emphasis could only put into question the reliability of official pronouncements on important issues. And the right-wing **Telegraf** said Mr Klaus's approach had done the Czech Republic no good. "Keeping a certain distance from the conflict does not improve, to say the least, the Czech Republic's reputation abroad," the paper said.

Sweden

The ski-boot is on the other foot, and it hurts. While Norway revels noisily in the glory of staging the winter Olympics in Lillehammer – and the repeated triumphs of Norwegian athletes – neighbouring Sweden is feeling more than a little put out. As the elder of the Nordic countries (Stockholm ruled Norway until 1905), Sweden is unused to seeing its smaller cousins dominate the international limelight. It bowed gracefully last autumn when Norway brought Israel and the Palestine Liberation Organisation together for their historic peace agreement, but magnanimity has been wearing thin over the past week as Norway has stacked up gold medal after gold medal while Sweden has so far won none.

A pained reporter for **Dagens Nyheter**, the biggest selling morning newspaper, bewailed that the relegation of Sweden's Pernilla "Pillan" Wiberg to fourth place in the Super-G slalom had deprived him of the chance to write about "the girl who was to lift us out of the Norwegian vale of tears that Lillehammer signifies for us Swedes". **Expressen**, a tabloid, put it more bluntly: "Swedes only cheer when a Norwegian falls down," it said, introducing an article by an ethnologist analysing why Sweden was doing so badly.

Under a front-page picture in Friday's **Dagens Nyheter** of a failed Swedish cross-country skier wistfully watching Norwegian Bjorn Daehlie collect his gold medal, reporter Ake Ekdahl, his tongue only slightly in his cheek, pointed the finger of blame at Prime Minister Carl Bildt. "Bildt knew last autumn," said the headline as Ekdahl revealed that the government was warned months ago of the coming humiliation of the "blue and gold flag" but did nothing about it. The message was that Sweden should spend more on training its sportsmen and women.

Contributions from John Burton in Seoul, Patrick Blum in Vienna, Christopher Bobinski in Warsaw and Hugh Carnegy in Stockholm

Malay state poll result angers PM

By Kieran Cooke in Singapore

Elections in the East Malaysia state of Sabah have precipitated a battle between local politicians and the federal government led by Dr Mahathir Mohamad, the Malaysian prime minister.

In the weekend elections, the locally based Sabah Unity Party (PBS) narrowly defeated Dr Mahathir's National Front coalition, winning 25 seats in the 48-seat state assembly. But when Mr Joseph Pairin Kitingan, the leader of the PBS and Sabah chief minister for the last nine years, went to be sworn in for another five-year term, he was forbidden entry to the governor's mansion.


Dr Mahathir: police might be forced to intervene

At first the governor, a federal government appointee, was said to be unsure of who to appoint chief minister. He was then said to be sick and unavailable to carry out his duties.

The PBS said there was a plot to deny the party its position as leader of Sabah's government. Sabah is one of only two states in the Malaysian federation which is not aligned with the National Front. Dr Mahathir has made no secret of his antipathy towards the PBS and to Mr Pairin in particular.

Last night, almost 24 four hours after the result was announced, Mr Pairin was still waiting outside the locked gates of the governor's mansion. The governor announced that a swearing-in ceremony would take place on Monday, but did not say who was to be appointed chief minister.

Meanwhile, Dr Mahathir said he had received reports that Mr Pairin had locked up several elected PBS members of the assembly for fear that they would defect to the National Front. "They should be given the right to decide which party to support," said Dr Mahathir.

The prime minister said the police might be forced to intervene if the members were being forcibly detained.

The weekend's events mark another chapter in the colourful and often chaotic politics of Sabah, the former British North Borneo. The PBS has accused the National Front of money politics on a massive scale.

"Money was virtually being thrown from helicopters and distributed freely in coffee shops," said Mr Pairin of the National Front's campaign.

China political repression 'increasing'

By Tony Walker in Beijing

Asia Watch, the international human rights group, has accused China of increasing political repression throughout the country, *especially in Tibet* where most recent arrests have taken place.

A 664-page report documents more than 200 arrests of dissidents in 1993 and is certain to intensify pressure on China at a sensitive moment in its dealings with the West over human rights issues.

The report coincides with a heightened campaign by international human rights organisations to block renewal of China's Most Favoured Nation trading status in the US.

President Bill Clinton, who has called for "overall, significant improvement" in China's human rights behaviour, is due to decide by June whether to renew the MFN status.

China is also under pressure at the current session in Geneva of the United Nations Commission on Human Rights. This is in spite of its recent efforts to *counter international criticism by* releasing well known dissidents.

Mr Sidney Jones, executive director of the US-based Asia Watch, called at the weekend for "continued pressure" on China on human rights issues. His statement reflected concerns that the US is moving towards MFN renewal without securing substantial concessions.

"There is clear evidence such pressure has been effective in the past," he said. "Any move now to abandon that pressure would send a terrible signal to Beijing – open season on peaceful dissent."

Asia Watch said its lengthy report, entitled Detained in China and Tibet, "shows clearly that political repression is increasing, not decreasing, and that it extends to virtually every province in China and throughout the Tibetan plateau."

Among specific Asia Watch criticisms were:

- 1993 was the "worst" year for political arrests since the crackdown that followed the 1989 Tiananmen massacre with 250 cases, compared with last year's release of 37 dissidents.
- 80 per cent of the new political arrests occurred in Tibet, where the authorities embarked on an "intensified" campaign of repression against Buddhist monks and nuns involved in pro-independence activities.
- The number of people detained for "peaceful political and religious activities" is far higher than that 3,317 figure given by China as the number of sentenced "counter-revolutionaries". The authorities say there are "no political prisoners in China".
- Chinese standards of justice remain abysmally low by international standards, with limited prospects of a fair *trial for those accused of* "counter-revolutionary crime".
- Torture is widely practised both to secure "confessions" and to maintain control in China's extensive prison and labour-camp system.

Asia Watch said "a most pressing and immediate need" was to secure regular access for organisations like the International Committee of the Red Cross (ICRC) to work for better treatment of those in detention.

It also called for more determined international efforts to uphold Article 12 of the Universal Declaration of Human Rights and "ensure that no one is arbitrarily detained in the first place".

Patten faces hard week

By Simon Holberton in Hong Kong

Mr Chris Patten, Hong Kong's governor, has arrived back in the colony after an official visit to Australia to be promptly greeted by warnings from China about his plans for political reform.

The criticism from Beijing came as a prelude to an important week for Mr Patten and his proposals for democratic reform in Hong Kong.

The first of two bills enshrining his plans for limited democracy in Hong Kong will be voted on in the Legislative Council (LegCo) on Wednesday. On Friday, he is expected to publish a second, more controversial, bill which provides for more democracy.

Alongside the publication of his second bill, the government is also expected to issue an official account of the failed negotiations between Britain and China on the issue of Hong Kong's political development. These negotiations ended last November after 17 rounds of talks had failed to produce any agreement.

On Wednesday, LegCo is likely to pass Mr Patten's first bill unamended, government officials believe.

Japan tyre production suffers sharp fall

By Paul Abrahams in Tokyo

Tyre production in Japan, the world's second largest market, last year experienced its worst decline since the second world war.

The manufacturers' plight was exacerbated by poor demand, falling prices, and a deteriorating product mix as *consumers bought cheaper* tyres, according to the Japan Automobile Tire Manufacturers' Association (Jatma).

The industry is suffering from rapidly falling demand in the domestic car manufacturers' market as well as the replacement market. Production fell from 166m units to 150m units.

Tyre shipments to domestic vehicle constructors fell 12.1 per cent to 50m units last year. The fall mirrors a 10.2 per cent *drop in Japanese vehicle pro*duction last year, according to recent data released by the Japan Automobile Manufacturers' Association. Japanese vehicle exports collapsed 11.5 per cent last year. Jatma said automotive makers had also been particularly aggressive in driving down tyre prices.

The domestic replacement tyre market also plummeted from 67.6m to 60.9m units. The association added that mass merchandisers, which aggressively *discount prices, had* increased their share to nearly 20 per cent of the replacement market.

Imports have also been adding to the Japanese industry's troubles. Although imports fell about 5 per cent to slightly less than 14m units, foreign manufacturers increased their share of the market which dropped 9.8 per cent.

The US was the largest importer in 1992 with 5m units, *followed by Australia with* 1.97m units, Taiwan with 1.2m units and Korea with 1m units. Japanese tyre exports fell only 1.2 per cent from 37.4m to 37m, in spite of the strong yen.

Mr Akira Suzuki, Jatma's executive director, said no plants had closed over the last 12 months, but extended maintenance periods had cut operating rates from more than 90 per cent in 1992 to just over 80 per cent last year.

He expected Japanese com*panies to increase manufactur*ing capacity in south-east Asia where costs are lower and demand is rising sharply.

Mobile phone companies win in Pakistan crisis

By Farhan Bokhari in Islamabad

Pakistani businessmen are traditionally inclined to blame political turmoil for their sufferings and commercial difficulties. But political infighting and uncertainty bring the reverse results for the country's two mobile telephone companies.

Mobile phones, previously an important status symbol for Pakistani politicians, have become invaluable political tools for times of crisis when politicians have to outsmart their rivals.

Next Wednesday's vote of no confidence against Mr Sabir Shah, Chief Minister of the North West Frontier Province, has put politicians at loggerheads. However, the phone companies are expecting a 15 to 20 per cent *increase* in revenues. The move to oust Mr Shah has the support of Ms Benazir Bhutto, prime minister, and may end with the chief minister's downfall. Mr Shah is backed by the Moslem League party of Mr Nawaz Sharif, the opposition leader.

Tempers have been running high. Mr Sharif's supporters have warned of an armed confrontation and some have urged their followers to physically resist any move to replace the Shah government. Both sides have accused each other of "horse-trading" and efforts to bribe MPs to make them change sides.

"Mobile phones help to minimise horse-trading. Members of the house can be taken away to safe places. They can still keep in touch with friends, but its much harder for anyone to approach them and offer money," says an opposition MP in Islamabad. "Every political being wants a mobile phone. They feel that it can't be tapped. They feel secure about it," says Mr Iftikhar Gillani, another opposition MP.

However, mobile phones remain beyond the reach of ordinary Pakistanis. The two companies – Paktel and Instaphone provide a service to only *25,000 clients – a tiny proportion* in a population of 120m.

Charging between Rs1,000 (£22.50) and Rs2,000 in a flat fee allowing up to 450 minutes of free airtime per month, the mobile companies are almost three times as expensive as the conventional phone network. But costs are not deterring new investors from entering the market – a third phone company is expected soon.

Seeking a safe grave for deadly remains

George Graham assesses an international tussle over how to dispose of spent uranium acceptably

Weighed against the hundreds of tonnes of plutonium and bomb-grade uranium now being recovered from nuclear reactors and missiles around the world, 17.5 tonnes of highly enriched uranium from a few dozen European research reactors might seem small.

But a five-year gap, during which the US stopped taking back the spent HEU it had supplied to these reactors, has created a crisis with ramifications far beyond the world of nuclear research.

The row over spent fuel has its origins in a bargain struck by the US, in the 1950s, and renewed in the Nuclear Non-Proliferation Treaty. To discourage other countries from embarking on nuclear bomb research, the US would help them to benefit from non-military applications of nuclear technology, such as the production of medical isotopes or neutron-scattering investigations of the structure of metals or ceramics.

To keep highly enriched uranium, which fuels some research reactors and which could be used to make a nuclear bomb, in safe hands, the US agreed to take back the used fuel that it had supplied.

In 1978, it went a step further, with the Reduced Enrichment for Research and Test Reactors programme, or RERTR, under which operators of reactors were encouraged to convert from HEU to low-enriched uranium which could not be directly used for bombs.

RERTR has had considerable success, and only four European research reactors have not begun at least to convert to LEU. "It's one of the unsung victories of non-proliferation," says Mr Alan Kuperman of the Nuclear Control Institute, a Washington anti-proliferation group.

In 1988, however, the US left European reactor operators in the lurch when it stopped accepting spent HEU, after a law suit brought by the Sierra Club, a San Francisco-based ecology group, had challenged the environmental safeguards surrounding the disposal of the fuel.

The US State Department pressed hard for a resumption of the spent fuel programme.

"A breakdown of the international consensus on conversion of research and test reactors to LEU, and a return to an HEU fuel economy, would undermine 15 years of intensive US non-proliferation efforts on this matter and substantially reduce the ability of the US to influence nuclear policy in bilateral and international fora," Mr Warren Christopher, secretary of state, warned.

But the US Energy Department let the standstill on accepting spent fuel drag on until last summer, when Mrs Hazel O'Leary, energy secretary, announced a new three-part policy. This comprised:

- A special waiver of environmental review requirements for reactors facing a real emergency.
- An accelerated environmental assessment to allow the US to take back a limited amount of spent fuel from reactors facing near-term difficulties.
- A full environmental impact statement to allow the US to resume taking back all the spent HEU it has supplied, and to take back spent LEU for a 10-year period as an incentive to more reactors to convert from HEU to LEU.

'A breakdown of consensus would undermine US non-proliferation efforts' - Warren Christopher AP

The environmental assessment, due to be completed by the end of next month, proposes the acceptance of 448 spent fuel elements from reactors in Austria, Belgium, Denmark, Germany, Greece, the Netherlands, Sweden and Switzerland, for storage at the Energy Department's Savannah River facility in South Carolina.

The nine reactors face a variety of problems that mean they cannot wait until the longer environmental impact statement, covering the acceptance of about 15,000 fuel elements, has been completed at the end of 1995. Some have simply run out of storage space for spent fuel; others face regulatory constraints.

They could be pushed into abandoning the RERTR programme and converting back to HEU, or could be forced to shut down.

Two operators, Germany's GKSS and Belgium's SCK/CEN, have already resorted to shipping spent HEU for reprocessing at the UK Atomic Energy Authority's Dounreay plant, in Scotland.

Although Mrs O'Leary gave emergency clearance for SCK/CEN last year, the Belgian reactor chose Dounreay.

US officials say they have no qualms about the physical safety of Dounreay but they worry that reprocessing, which the US itself abandoned in 1988, would perpetuate the use of HEU.

The Belgian plant cannot convert to LEU for technical reasons involving the level of neutron flux it requires, but is frustrated at the difficulties of dealing with the US as a supplier of fuel.

"We prefer to continue to be supplied by the US but, if these discontinuities persist, we may have to look to other suppliers, including Russia," warns Dr Carl Malbrain, director general of SCK/CEN.

GKSS has converted to LEU, which cannot be reprocessed, but has told the US that it has so little faith in its long-term reliability that it may shift back to HEU so that it can continue to use Dounreay.

For many plants, however, converting back is not even an option, because the Dounreay plant has to send back the resulting reprocessed fuel and radioactive waste to the country of origin.

This rules out countries such as Denmark and Austria, which do not use nuclear power and so have no plan for long-term storage of highly radioactive waste.

"We are extremely dependent on a solution that is basically doing what we were doing for the last 20 years," says Dr Klaus Singer, director of the Risoe reactor in Denmark.

European reactor operators say there has been a noticeable improvement since the Clinton administration took over in the US at the beginning of 1993, though they are unsure as to whether this is due to new people and policies or because the problem had become so serious that it could no longer be avoided.

They were encouraged by a meeting in Washington 10 days ago about the short-term acceptance of their spent fuel, but many doubt whether the longer-term environmental impact statement will be completed on time in 1995.

"It may take longer, like everything the Department of Energy has dealt with so far. That's why there is a mixture of optimism and pessimism: there is no reason for not being optimistic about the long-term outcome, but it will take time," says Dr Singer.

Venezuela bank head named as depositors fume

By Joseph Mann in Caracas

The Venezuela government yesterday named Mr Gustavo Roosen, president of the country's national oil company PDVSA, to head its intervention board at Banco Latino, the second-largest Venezuelan bank, which failed last month.

He will have to face the increasingly militant demands of depositors seeking access to their funds and try to carry out a government plan to re-float the bank.

Mr Roosen's term as head of PDVSA, one of the world's largest oil companies, was about to expire. President Rafael Caldera, who took office on February 2, has not yet named a successor.

Before he took the top job at PDVSA, Mr Roosen was education minister and a senior executive at Empresas Polar, one of the world's largest beer producers.

The appointment of Mr Roosen, a respected manager, represents a positive step for the new administration, which is facing a spate of economic, financial and social problems.

However, still with the unfolding banking crisis, Mr Caldera is also grappling with political opposition to his efforts to replace the superintendent of banks and the head of the deposit guarantee fund (Fogade).

The failure of Banco Latino sent has shock waves through Venezuela's financial system. The government has had to use scarce financial resources to repay many small depositors at Banco Latino and support other banks that suffered from unusually large withdrawals in the wake of the Banco Latino closure on January 14.

The government said last week that four other financial institutions had received large sums of official financial assistance due to liquidity problems.

Although neither the government nor the banks will say so publicly, this amounts to a technical intervention in the institutions, which include three commercial banks and another financial entity.

Major and Clinton to meet next week

By George Graham in Washington

US President Bill Clinton and Mr John Major, UK prime minister, are to meet next Monday in Pittsburgh, in a gesture to the time spent by Mr Major's father and grandfather in that area.

The two will travel back together from western Pennsylvania to Washington. Mr Major will then spend the night at the White House, as the first foreign leader to be invited to do so since Mr Clinton took office.

"I know the president is looking forward to it," a White House official said.

The arrangements for Mr Major's visit are seen as an effort to smooth over the apparent rift between the US and the UK.

Besides differences of political philosophy between Mr Clinton and Mr Major, their two governments have appeared at odds over Bosnia.

Also, friction was exacerbated by the Clinton administration's recent decision to allow Mr Gerry Adams, the Sinn Fein leader, to visit the US this month.

Mr Major's father, Tom Ball, sailed from Liverpool to Philadelphia in the 1880s with his father, a master builder who worked at the Carnegie steel works in the foothills of the Allegheny Mountains.

Peace talks with Mexican rebels to start today

Peace talks between the Mexican government and the Zapatista rebels are scheduled to begin today, in an effort to persuade the rebels to end formally a conflict which began on January 1 with the seizure of half a dozen towns in the southern state of Chiapas, reports Damian Fraser in San Cristóbal de las Casas.

However, there were few indications yesterday of an early agreement as significant differences remained between the two sides. The peace talks are to take place in the cathedral of San Cristóbal de las Casas, in Chiapas.

Yesterday, Zapatista delegates, including Sub-commandant Marcos, the rebels' military strategist, arrived in San Cristóbal. They will spend the night there before starting negotiations with Mr Manuel Camacho Solís, the government's peace envoy.

A truce has held for more than five weeks but the continuing presence of armed Zapatistas has destabilised Chiapas, displaced an estimated 20,000 people from their homes, and inspired opposition to the government throughout the country.

Sub-commandant Marcos said that the Zapatistas would only lay down their arms after the government had enacted national democratic reforms and agreed to broad political autonomy for regions of Mexico populated by indigenous people.

He suggested that, while such changes were not made, the Zapatistas would not sign a peace accord.

Mr Camacho said that he could not negotiate with armed rebels on such issues and that to do so would not guarantee peace in Chiapas. "A solution that is only aimed at the Zapatista army would destabilise Chiapas. There has to be a solution that satisfies the Zapatista army but also meets the concerns that are fundamental for other sectors," he said.

The government seems to intend to offer rebels some land, greater economic aid for the region, and perhaps changes among some local political leaders. Mr Camacho believes that any further concessions might undercut support within the government for the peace process and lead to a conservative backlash.

"These negotiations will be very difficult. These are people who took the decision to begin an armed struggle and for whom political negotiation is a total change of strategy," Mr Camacho said.

FINANCIAL IZVESTIA TALKS BUSINESS TO 300,000 INFLUENTIAL RUSSIANS EVERY THURSDAY.

Financial Izvestia is an 8-page weekly business newspaper produced by the Financial Times in partnership with Izvestia, Russia's leading independent daily.

Printed on the FT's distinctive pink paper, it accompanies Izvestia every Thursday.

Drawing on the huge editorial network of both newspapers, it brings up to the minute, accurate, national and international news to 300,000 decision makers in Russia. News from around the world that impacts upon the Russian market, making Financial Izvestia an essential and unique business tool for those shaping the new Russia.

To find out more about advertising to these influential people call Ruth Swanston at the Financial Times in London on 44 71 873 4263 (fax 44 71 873 3428), Stephen Dunbar-Johnson in New York on 1 212 752 4500, Dominic Good in Paris on 33 1 42 97 06 21, Sarah Pakenham-Walsh in Hong Kong on 852 868 2863.

FINANCIAL TIMES
LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

British Steel may face legal move on prices

By Andrew Baxter

Steel fabricators are considering legal action against British Steel after the company was fined Ecu32m (£24.3m) by the European Commission last week for allegedly taking part in a cartel that rigged the market for beams and girders.

The fabricators – which buy beams from British Steel, cut and weld them and then erect them on building sites – have asked their representative organisation, the British Constructional Steelwork Association, to see whether there are grounds for legal action.

Mr Derek Tordoff, association director, said member companies were worried that they may have paid too much for the beams during 1984-1990, when the commission says a well-organised cartel was operating.

But British Steel, which is planning to appeal against the commission's judgment, said the facts did not support any legal action by the fabricators.

The association hopes to discuss the issue with British Steel, which is the only UK supplier of beams used in construction. It makes them at its works on Teesside, northern England.

Mr Tordoff stressed that the association was not trying to pick a fight with British Steel and admitted it was in a delicate position.

The steelmaker, the association and its members have successfully worked together to market steel frames in buildings. Last year, they were used in 62 per cent of buildings of two or more storeys compared with 30 per cent in 1980.

Additionally, both the fabricators and British Steel are fighting steel subsidies in Spain and Italy which are underpinning imports of fabrications into the UK market.

It is understood some fabricators believe they may have been paying £50 a tonne too much for their beams from 1984 to 1990. For a small operator using 30,000 tonnes over that period, the overpayment would have been £1.5m.

However, British Steel says effective UK prices for beams rose only by 9 per cent from 1986-1990, less than the rise in the retail prices index. It said the fabricators' problems stemmed from the recession, which had caused business to dry up after the period when the cartel was alleged to have operated.

Postal workers reject deal on productivity

By Robert Taylor, Labour Correspondent

Britain's postal workers have decisively rejected a national productivity plan to improve the Royal Mail's efficiency and make it more commercial in preparation for its eventual privatisation.

In a secret postal ballot they voted against the deal, against the advice of their union, the Union of Communication Workers.

Only 33,194 supported the productivity plan, while 37,667 rejected it. A total of 71,444 union members out of 128,874 returned completed ballot papers.

Union leaders, deeply embarrassed by the rejection, are today due to meet Royal Mail executives to discuss next moves. Mr Alan Johnson, the UCW's general secretary, said yesterday: "We need a period of calm reflection."

At national level the UCW leadership has been working very closely with the Post Office to make the organisation more commercial. The union's national leadership has been willing to co-operate with the introduction of more flexible working practices in sorting offices and mail delivery. The productivity deal would have created a framework for local deals to introduce more flexible shift patterns and working practices in sorting offices.

In the aftermath of the unexpected defeat, union officials fear the Royal Mail management may impose changes without union consent, in breach of national agreements with the UCW. This could involve the unilateral withdrawal by management of a number of interim productivity agreements which came into force six years ago. UCW leaders are concerned that as a result of the deal's defeat the Royal Mail will also refuse to negotiate any further on the introduction of a shorter working week.

Mr Johnson said initial reports from the union's branches around the country suggested many postal workers had found the proposed productivity scheme "too complicated and half-baked". The UCW hopes further talks can improve the deal.

Under the negotiated deal that was rejected nearly half the postal workers would have benefited financially from an increase in minimum pay rates. On top of the basic 1.5 per cent pay rise, they would have received a further 1.5 to 1.8 per cent by agreeing to the productivity changes.

This would have ensured the lowest paid in the Royal Mail would have received an increase in their basic pay which was twice the current rate of inflation.

Over the past twelve months both the union and the Royal Mail have made strenuous efforts to work together in improving efficiency in the Post Office, as both are acutely aware of the highly competitive and vulnerable position the Post Office finds itself in.

● One in five British workers now spends at least some time working from home, but most employees are not encouraged to do so, British Telecommunications said yesterday.

BT said just two in five of 500 full-time workers interviewed by Gallup would be prepared to work from home, but nearly three-quarters said they received little or no encouragement from their employers.

Determination over Ulster talks

By Michael Cassell

The British and Irish governments yesterday insisted that neither Sinn Féin nor the hardline Democratic Unionist party will be allowed to hold up the next phase of talks on the future of Northern Ireland agreed at the weekend by the two countries' prime ministers.

Mr Albert Reynolds, the Irish premier, said he believed there were "still grounds for reasonable hope" that Sinn Féin would respond positively to the Downing Street peace declaration. But he stressed that talks – to be based on the document – would not wait for its decision. He added: "We are ready to go at any time".

His suggestion that Rev Ian Paisley's DUP would also be be unable to veto political progress was immediately backed by Sir Patrick Mayhew, Northern Ireland Secretary. Sir Patrick said: "We should not permit the process to be halted by the action of those who are eligible to join in but who say no we are not coming". The DUP has refused to join the talks until London abandons the Downing Street declaration.

Mr Reynolds said both sides now had a clearly agreed starting point for the next talks, which would embrace the so-called three-stranded process. He said he believed the mainly-nationalist Social Democratic and Labour party, which has not yet committed itself to the talks, would be "content and happy" with the outcome of the weekend talks.

It is understood that the SDLP, in an unpublicised session, met Sir Patrick last week to discuss his "check-list" of ideas for progress which have been submitted to Dublin.

Although London has, in return for assurances about the scope of the talks, persuaded Dublin to commit itself to pressing on, both governments will maintain a low-key approach at least until after Sinn Féin's annual conference next weekend. Though the conference is not expected to decide on the declaration, it will provide an opportunity to gauge opinion within the republican movement.

Sir Patrick's "check-list" will now form the focus of discussions at official level between the two governments. The next steps will then be discussed at the intergovernmental conference scheduled for March 10.

Irish premier Albert Reynolds at Saturday's rugby international at Twickenham, where Ireland defeated England 13-12 Picture: Reuter

Warning on costs of EU 'green' law

By Bronwen Maddox, Environment Correspondent

The costs to British companies of complying with European Union environmental policy are continuing to rise and will run into billions of pounds, according to a report published today.

Mr Adrian Wilkes, author of the report by Environmental Policy Consultants, a London-based consultancy, says: "A torrent of policy proposals are about to be unleashed, presenting British business with an unprecedented challenge".

The survey, which identifies 96 environmental policy proposals in the pipeline, says that all companies will be affected by tightening controls on pollution, the need to use energy more efficiently, and requirements to disclose information.

It suggests, on the basis of industry estimates, that new rules will mean that it will cost £7m to test chemicals to European environmental safety standards, and that new controls of vapour at petrol stations will cost £40,000 to £60,000 per station.

The report also argues that phasing out HCFCs – chemicals which deplete the ozone layer of the atmosphere – could cost the UK food industry £500m.

"Britain's political campaign to stop the momentum of Brussels policy-making has failed", said Mr Wilkes.

Ten days ago Mr Ioannis Paleokrassas, the EU's environmental commissioner, repeated his refusal to give the UK more time to comply with water directives.

The UK water industry's investment programme, much of it prompted by European environmental rules, could reach more than £40bn this decade.

However environmentalists yesterday attacked the report's conclusions. Mr Andrew Lees, campaigns director of Friends of the Earth, the pressure group, said "it is the member countries and the European Council of Ministers who are driving this regulation along – it is wrong to blame the Commission".

He added: "I think the Council of Ministers is vulnerable to short term considerations of industrial competitiveness, and it may fail to recognise the long term costs to European economies that environmental damage will bring".

EC Environmental Policy Monitor; Environmental Policy Consultants; £125.

Britain in brief

Accountants hit by more legal claims

Britain's six largest accountancy firms were hit by about 600 legal claims last year and paid out up to 8 per cent of their audit income on costs related to legal actions.

The number of claims has risen sharply in the last few years, following growing litigation against auditors in the US, much of it considered by the profession to be speculative and unjustified.

The figures were compiled for two separate studies as part of a campaign to reform the law of unlimited liability on auditors and will be submitted to the UK Department of Trade and Industry.

A working group on litigation reform of the Institute of Chartered Accountants in England and Wales tackling litigation claims says the average claims in the largest three lawsuits last year were nearly £500m, compared with £40m 10 years ago.

The figures exclude the exceptional claims for more than $8bn relating to the collapsed Bank of Credit and Commerce International.

Increased bid for Independent

The consortium backed by Mirror Group Newspapers yesterday increased its bid for Newspaper Publishing, owners of The Independent and the Independent on Sunday, in an effort to gain a majority stake in the company.

The bid was increased from 261.6p to 350p a share, matching the sum paid earlier this month by Mr Tony O'Reilly's Independent Newspapers of Ireland, for 24.99 per cent of the company. The increased bid values Newspaper Publishing at £73.65m.

The consortium already controls just under 48 per cent of Newspaper Publishing and is hoping the new offer will enable it to secure more than 50 per cent.

Apart from MGN, the consortium includes Newspaper Publishing's two largest existing shareholders, El Pais of Spain and La Repubblica of Italy, and a group which founded the newspapers led by Mr Andreas Whittam Smith, editor in chief.

Bank upbeat on economy

The UK economy is strong enough to withstand April's tax rises, according to Barclays Bank, despite last week's poor economic statistics which raised doubts about the recovery's sustainability.

In an upbeat economic review, published today, Barclays said that interest rates are close to their low point and are unlikely to go below five per cent.

Barclays predicts growth in UK gross domestic product of 2.7 per cent this year, rising to 2.9 per cent in 1995. Inflation is forecast to reach 3.2 per cent by the end of this year and to stand at 4.2 per cent by the end of 1995.

Uncertainty in manufacturing

The number of jobs in British manufacturing industry is continuing to fall and the outlook for manufacturing employment continues to look uncertain, says a report on employment trends in the last quarter of last year published today by the AEEU engineering union.

The report, based on reports from the union's local offices says that only one company in the survey had any job vacancies in the October to December period of last year while 15 per cent of them made redundancies over the same month.

The survey also found a fall in the number of company order books reporting good prospects. They dropped to 17.6 per cent in the fourth quarter, down from 27.8 per cent in the previous three months and the worst recorded figure since the survey began at the beginning of 1983. The survey sample is based on companies covering over 40,000 employees.

Recovery seen in motor cycles

UK motor cycle sales should bottom out this year at about 40,000 units, ending nearly 15 years of decline from the 315,000 in 1980, the Motor Cycle Industry Association said yesterday.

The year has already got off to a relatively good start with January sales rising 11.8 per cent to 2,626 compared with the corresponding month a year earlier.

Industry research shows that half of all riders are now classified in the top three socio-economic groups and that the average age of motorcyclists has risen sharply, with more than 70 per cent aged 26 or over.

THE WEEK AHEAD

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
Chrysalis Grp., Kensington Hilton, Holland Park Avenue, W., 11.00
Southern Business Grp., Queens House, Ullswater Crescent, Coulsdon, 11.00
BOARD MEETINGS:
Finals:
City Merchants High Yield Trust
Grosvenor Dev. Cap.
Guardian Royal Exchange
Korea Lib. Fd.
Low & Bonar
Unilever
Interims:
Ashtead
Conrad
Essex Furniture
FII
Johnson Fry Utilities
Wills

■ **TOMORROW**
COMPANY MEETINGS:
Archimedes Inv. Tst., Royex House, Aldermanbury Square, E.C., 12.30
Intercare Grp., Piccadilly Hotel, Piccadilly Plaza, Manchester, 12.00
Kershaw (A), 6, Connaight Place, W., 12.00
LPA Inds., Eight Bells, High Street, Saffron Walden, Essex, 12.00
London & Clydeside, Kelvin Park Hotel, Glasgow, 12.00
BOARD MEETINGS:
Finals:
Grafton
Regina
Sedgwick
Shires High Yield
SmithKline Beecham
Temple Bar Inv. Tst.
Interims:
Bellwinch
Community Hosp.
Eaglet Inv. Tst.
Haggas (John)
Henderson Eurotrust
Macro 4
Nth. American Gas Inv. Tst.
Pilco
River & Merc. Smaller Co's.
Stewart & Wight

■ **WEDNESDAY FEBRUARY 23**
COMPANY MEETINGS:
Acatos & Hutcheson, Tallow Chandlers Hall, 4, Dowgate Hill, E.C., 11.15
Carlton Communications, Armourers Hall, 81, Coleman Street, E.C., 11.00
First National Finance Corp., Barber-Surgeons Hall, Monkwell Square, Wood Street, E.C., 12.05
Holmes & Marchant, Brands House, Kingshill Road, High Wycombe, Bucks., 10.00
Rank Org., Odeon Cinema, Marble Arch, W., 11.30
BOARD MEETINGS:
Finals:
British Aerospace
Capital & Counties
Dunedin Income & Growth
Fairway
National Westminster Bank
Oriental Smaller Co's.
Porvair
SKF
Serif
TR High Inc. Tst.
Transatlantic
Interims:
Alliance Res.
Fletcher Challenge
Gencor
Mins. Oils & Res.
Pacific Horizon Inv. Tst.
Tottenham Hotspur
Towry Law

■ **THURSDAY FEBRUARY 24**
COMPANY MEETINGS:
Countryside Properties, The Brewery, Chiswell Street, E.C., 12.00
Electronic Data Processing, Tapton Masonic Hall, Shore Lane, Sheffield, 12.00
RCO Hldgs., 20, Old Bailey, E.C., 3.00
Trafalgar House, Queen Elizabeth II Conference Centre, Broad Sanctuary, S.W., 3.00
BOARD MEETINGS:
Finals:
British Gas
Edinburgh Oil & Gas
European Smaller Co's.
London Fin. & Inv.
Merlin Intl. Green
Provident Financial
Royal Dutch Petlm.
Royal Dutch Shell
Royal Ins.
Shell Trans.
Telegraph
Interims:
Elecо
Flogas
Middle Witwatersrand
Quayle Munro
Regent Inns
TNT

■ **FRIDAY FEBRUARY 25**
COMPANY MEETINGS:
Bearing Power Intl., Institute of Directors, 116, Pall Mall, S.W., 10.30
BOARD MEETINGS:
Finals:
Astra AB
Baillie Gifford Shin Nippon
Horace Small Apparel
Interims:
Goodwin
Honeysuckle
Isotron
Usher (Frank)

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Bulmer (HP) 4p
Chugoku Elect. 7% Nts. 1997 $350.00
Control Techniques 5.15p
Druck Hldgs. 3.7p
Electra Inv. Tst. 3.55p
Greenalls 7.28p
IAWS IR1.1p
Jusco 8% £/$ Cv. Bd. 1996 £80.0
Nova Scotia 11⅝% Bd. 1995 C$116.25
Polar 2.85p
Seeboard 3.3p
Smith & Nephew Fin. 8¾% Gtd. Rd. Pf. 2004 £0.8944
Tesco 8¾% Bd. 2003 £10.50
Toyobo FRN 1999 Y65513.0
Wagon Indl. 6.325p
Westland 3.25p

■ **TOMORROW**
Aon Corp. $0.45
Debenham Tewson & Chinnocks 1.5p
Exchequer 12½% 1994 £6.25
London & Clydeside 3p
MBE Fin. Gtd. Dual Basis bd. 2002 $10171.88
NFC 7¾% Cv. Bd. 2007 £38.75
Sea Containers Class A $0.1925
Do. Class B $0.175
Stanley Leisure 1.75p
Trustco Fin. 11½% Sev. Db. 2016 £5.75
TSB Offshore Inv. Ptg. Rd. Pf. Gilt & Fxd. Int. 1.45p
Do. Stlg. Dep. 1.28p
Wells Fargo $1.0

■ **WEDNESDAY FEBRUARY 23**
Barclays Bank Und. Fltg. Rate Prim. Cap. Nts. Ser.2 $182.08
Canadian Imperial Bank of Commerce Fltg. Rate Sb. Cap. Db. 2085 $182.08
Denmans Elect. 4.5p
Gold Fields Property R0.32
HSBC Prim. Cap. Und. FRN (Ser.1) $127.78
LPA Inds. 0.8p
Merrill Lynch $0.20
Nationwide Bldg. Scty. 4¼% I.L. Ln. 2024 £2.8107
New Wits R0.17
Treasury 2½% I.L. 2011 £2.36
Vogels Metal R0.20
Westpac Banking Sb. FRN 1997 $188.47

■ **THURSDAY FEBRUARY 24**
Allied Irish Banks Und. Var. Rate Nts. $121.39
Assoc. Nursing 0.5p
Burton 8% Cv. Un. Ln. 1996/2001 £4.0
Burtonwood Brewery 0.7p
Commonwealth Bank of Australia Und. FRN Feb.1989 $178.76
Denmark (Kingdom of) FRN 1998 £133.90
Leeds Permanent Bldg. Scty. FRN 1997 £138.79
Royal Bank of Canada C$0.29
Savills 0.75p
South Wales Elect. 7.5p
Triplex Lloyd 2.5p
Wells Fargo Fltg. Rate Sb. Nts. Feb.1997 $134.17

■ **FRIDAY FEBRUARY 25**
Allied-Lyons 7.3p
Do. 10⅝% Bd. 1999 £531.25
Aluminium Co. of America $0.40
Avon Rubber 11.5p
Bank of Montreal C$0.30
Beales Hunter 2.55p
Bespak 4.2p
BPB Inds. 7¼% Cv. Sb. Bd. 2008 £36.25
Bradford & Bingley Bldg. Scty. FRN 1996 £139.26
British Land 2.45p
British Thornton 2.5p
Burton Grp. 1p
Carpetright 2.7p
CSFB Fin. Gtd. Sb. FRN Aug.2003 $28.11
David Lloyd Leisure 1.95p
Eaton Corp. $0.30
Gartmore Scotland Inv. Tst. Inc. 2.4p
Do. Units £6.0
Grainger Tst. 4.05p
Halifax Bldg. Scty. Cllrd. FRN 2003 £352.88
Hunters Armley 2.5p
Kenwood Appliances 3p
Lydenburg Platinum R0.44
M & W 1.9p
MFI Furniture 1.33p
Merchants Tst. 2.85p
Murray Int. Tst. 2.7p
Nippon Sanso 6.4% Nts. 1997 Y640000.0
Do. 6.4% Nts. 2000 Y640000.0
Norsk Hydro 9% Nts. Feb.1994 $90.0
Royal Bank of Scotland 8p
Sage Grp. 6.6p
Southend Property 0.8p
TSB Gilt Fd. Ptg. Rd. Pf. (Class B) 0.66p
Treasury 8¾% 2017 £4.375
Turkey Tst. 3p
Zetters 4p

■ **SATURDAY FEBRUARY 26**
Treasury 10% 2001 £5.0

■ **SUNDAY FEBRUARY 27**
Dalei 6.4% Bd. 2002 Y640000.0

CONFERENCES & EXHIBITIONS

FEBRUARY - DECEMBER
Benefiting from Software
A two-day workshop for users and IT professionals on how to adopt a solutions oriented approach to evaluating and selecting software and computer solutions. Designed to reduce risk, achieve benefits, optimise selection and purchasing, provide a consistent and manageable process. Full case study.
Contact: Barnes Associates
Tel: 0565 755714 Fax: 0565 650950
ON-SITE IN-HOUSE

FEBRUARY 24
EIS & Competitor Intelligence: Developing Competitor and Business Intelligence Systems for Managers
Conference explores how EIS and related systems can improve the quality, scope and relevance of external information provided to managers. It discusses the intersecting roles of the various contributors and stakeholders in this process.
Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020
LONDON

FEBRUARY 24
Life Cycle of a Family Business
Family businesses start with an entrepreneurial idea but over time stagnation and decline may occur. This evening seminar demonstrates an analytical tool to help businesses establish where they are in the life cycle and what steps to take to avoid strangulation of the business.
Contact Diane Deacon, Centre for Family Business Tel: 071 486 5888
LONDON

MARCH 1
Project Financing in Hungary, Poland and the Czech Republic
This seminar will review the case study of the M1/M15 Toll Motorway Project in Hungary and legal issues in project financing in Poland and the Czech Republic. Contact: Baker & McKenzie, 100 New Bridge Street, London EC4V 6JA.
Tel: 071 919 1000 Fax: 071 919 1989
LONDON

MARCH 1 & 2
Increasing Business by Telephone
March 1 - Incoming Call
March 2 - Outgoing Call
Whether dealing with incoming enquiries or proactive sales calls to existing or potential customers, delegates learn how to maximise the potential of every call. £195 + VAT per day inclusive of materials and refreshments. Book both days together for same delegate for £50 reduction - £340 + VAT.
Contact: STRUCTURED TRAINING 0926 337621
LONDON

MARCH 2
Emerging Markets 1994 and beyond...
An independent conference, not promoting institutional funds. World's top specialists from the US, Singapore, Netherlands and UK outline their new strategies for 1994 and beyond; re-assessing the global market, after recent performance. Keynote speaker: Dr Mark Mobius. Profiles on Turkey and international smaller companies.
Venue: Savoy Hotel, London.
Details: Imperator Financial Conferences
Tel: 071 256 5364 Fax 071 638 3365
LONDON

MARCH 2
Preserving Family Culture in Transition
When ownership changes are contemplated, a major consideration is the wish to preserve the family culture and the values attached to it. This seminar examines the values which constitute a culture and how these impact upon profit; whether or not these values differ from those of the succeeding generations and the obligation of new management to continue with that culture.
Contact Diane Deacon, Centre for Family Business, 071 486 5888
LONDON

MARCH 2 & 3
World Trade After GATT
Skinners' and Stationers' Hall
This conference featuring Lady Thatcher, Sir Leon Brittan, Jack Valenti, Sydney Gillibrand, Arthur Dunkel, Colin Sharman and Haruko Fukuda, looks at the issues for and the prospects of Europe and its competitors. Begins with dinner on 2 March and continues on 3 March. Details from Marc Lee, Cityforum Ltd.
Tel: 0225-466744 Fax: 0225-442903
LONDON

MARCH 3
Outsourcing the Company Car
This half-day conference, held in association with Lease Plan UK Ltd, will look at what outsourcing can offer companies with large car fleets and how it differs from contract hire arrangements.
Enquiries: Director Conferences
Tel: 071 730 0022
LONDON

MARCH 3
JETRO Europe Seminar
Queen Elizabeth II Conference Centre
An afternoon seminar concentrating on the developments for UK based businesses within Europe. Speeches by Arthur Dunkel and Howard Davies. Additional speeches by senior representatives from Clifford Chance, McKinsey and Co. and Credit Suisse First Boston. Organised by JETRO and Clifford Chance. Price: £80 per person inclusive. Details from Carol Lin, Ian Maybin
Tel: 071 493 7226 Fax: 071 491 7570
LONDON

MARCH 4
Russian Land Ownership - Developments in Russian Land Law
Update on legal developments & practical implementation of land privatisation. Speakers from Pepper, Hamilton & Scheetz USA/Moscow/London, Ferguson Hollis London/Moscow & official from St Petersburg.
INTERFORUM Tel: +44 (0) 71 386 9322
Fax: +44 (0) 71 381 8914
LONDON

MARCH 7
Financing buy-ins and buy-outs in Europe
This seminar will survey legal issues of buy-ins and buy-outs within Europe.
Contact: Baker & McKenzie,
100 New Bridge Street,
London EC4V 6JA.
Tel: 071 919 1000 Fax: 071 919 1989
LONDON

MARCH 7, 8, 9
Devising a Regional Transport Strategy
A conference looking at a South East Transport Strategy in a national context. Promoted by SERPLAN, speakers incl Rt. Hon John MacGregor OBE MP, Steven Norris MP, David Curry MP. Issues incl land use, investment criteria, private finance, road charging, congestion, demand management, regulatory control, DRIVE, green issues & London's transport needs. Contact:
Iain Dale, The Waterfront Partnership
Tel: 071 730 0430 Fax: 071 730 0460
LONDON

MARCH 8
In-Town or Out-of-Town?
CITY CENTRE OR BUSINESS PARK? - One day CBI relocation conference for personnel, facilities and finance professionals takes practical look at options including case studies, business property trends and financial assistance. Sponsored by Cardiff Gate Business Park.
Contact: Sandra Aldred
CBI Conferences
Tel: 071 379 7400
Fax: 071 497 3646
LONDON

MARCH 8
IT & Corporate Transformation: New approaches to creating & maintaining strategic alignment between IT & the business
This conference explores the success factors and key problems associated with implementing IT strategies to support a business undergoing major change. It highlights the outstanding issues and provides practical guidance on how to handle them. Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020
LONDON

MARCH 8-9
UK Cable, Telephony & Finance: The Future is Now.
An in-depth conference on the convergence, cooperation and competition in the UK cable & telephony industry.
Contact: Patricia Baynton,
Kagan World Media Limited.
Tel: 071 371 8880 Fax: 071 371 8715
LONDON

MARCH 10
Making the Most of the Environment
One day seminar relating best practice environmental activities to business planning and growth, viewing the environment as a mainstream management tool. Sessions include Reducing Operating Costs, Materials and Consumables, People and the Working Environment, Positive Publicity, Developing an Environmental Strategy. Contact: Nicholas Johnston at West London TEC on:
Tel: 081 814 3272 Fax: 081 570 9969
LONDON

MARCH 14-18
The JIT/KAIZEN Workshop
As featured on FT Management Page in January: five days' intensive hands-on experience for senior managers in world-beating productivity improvement techniques, in a real factory. Free video and copy of article also available.
Contact: Paul Hancock,
Kaizen Institute of Europe.
Tel: 071-713 0407 Fax: 071-713 0403
MIDLANDS

MARCH 15-17
Electronic Books International '94
A Mecklermedia conference and exhibition focusing on developments in the world of electronic books.
Venue: Novotel London Hammersmith
Contact: Emily Brookes
Tel: 071 976 0405 Fax: 071 976 0506
Mecklermedia, Artillery House, Artillery Row, London SW1P 1RT
LONDON

MARCH 16
Customer Profitability
Hampshire Hotel, Piccadilly
The next step in activity based costing... customer profitability identifies which customers generate profits and which erode them, and gives insight into how to convert all customers into profit generators.
Contact: Evanna Morris,
CIMA Mastercourses
Tel: 071 917 9244 Fax: 071 580 6991
LONDON

MARCH 16
The West London Technology Series 2: Design
One day seminar for senior managers of manufacturing and service-related companies, exploring product design and mechanisms for development and marketing. Speakers drawn from The Design Council and a leading international design consultancy will lead you through the basic ingredients for success.
Contact: Nick Hamilton
at West London TEC on:
Tel: 081 814 3240 Fax: 081 570 9969
LONDON

MARCH 16 & 17
Magnetism in Industry
At the Daventry Resort Hotel, Northants
An IMC "Innovation Conference", Exhibition and "Technical Expo" of commercial research papers. Industrialists should come and hear how magnetic technology can improve products and processes, reducing costs and improving profitability. For information contact: Industrial Mix Conferences Ltd. Tel: (0444) 458080 Fax: (0444) 441215
NORTHANTS

MARCH 17
Tomorrows Company
RSA Inquiry National Conference.
For business leaders to rethink the purpose, definitions and measures of success of business. To stimulate improved performance by analysis of the sources of sustainable business success. A distinguished team of speakers drawn from the Inquiry's participating companies. Details from: Gay Webb
Tel: 0532 832600 ext 4328 Fax: 0532 833233
LEEDS

MARCH 17
Business Process Reengineering
ONE DAY SEMINAR & WORKSHOP
The seminar provides a comprehensive BPR implementation strategy (Theory, case study, Workshop). Uniquely we use proven methodologies and computer modelling. The speakers from QSC, William Lynn Associates and Origin cover all aspects of a successful implementation. Repeated April 14, May 12. Contact Sharon Hayes, QSC Ltd.
071-329 3377, Fax: 071-329 4508
LONDON

MARCH 21-22
Business Process Re-engineering Seminars & Workshops
Continuing a successful series of seminars for executives and senior managers charged with designing and implementing BPR initiatives. Established blue chip client list. Presented by a leading US practitioner, our proven 'how-to-do-it' implementation guide is illustrated throughout with case studies and workshops. Course book also available. Repeated April 21-22. Contact: Richard Parris, Vertical Systems Intercede Ltd Tel: +44-455-250266 Fax: +44-455-890821 (24 hours).
LONDON

MARCH 23
Regulating Telecommunications - An International Assessment
A CRI seminar looking at the telecommunications regulation over the next 10 years. Speakers include BT plc, OFTEL, Mercury Communications Ltd, Energis Communications Ltd.
Cost £299 + VAT. Contact: Leigh Sykes, CRI Tel: 071 895 8823 Fax: 071 895 8825
LONDON

MARCH 23
Company Car Policy Workshop
One day workshop designed to allow personnel and benefits professionals examine and discuss recent trends in company car policy in the UK and Continental Europe. Topics to be covered are: current UK policy, including cash allowances and taxation implications; trends in car provision and choice in Europe; controlling fleet costs.
Contact: David Atkins, Monks Partnership
Tel: 0371 830939 Fax: 0371 830631
STANSTED

MARCH 23 & 24
Business Re-engineering: Managing Radical Change
This two-day international conference explores how to address the organisational and human challenges of business re-engineering. Including frank discussion of the reasons why so many initiatives fail and explores practical methods for achieving critical buy-in and support for redesigned processes and new working practices.
Contact: Business Intelligence
Tel: 081 544 1830 Fax: 081 544 9020
LONDON

MARCH 23 & 24
Venezuela & Colombia
The Caribbean Basin - Integration, Investment & Trade
Linked events on significant regions for direct investment and trade and with potential as emerging markets. The Colombian Finance Minister keynotes. Sponsors: Bankers Trust, Banco Mercantil, Banco Ganadero, Crown Agents, Canning House and the Caribbean Council for Europe.
Details from: Marc Lee, Cityforum Ltd
Tel: 0225 466744 Fax: 0225 442903
LONDON

MARCH 23 & 24
Eastern Europe's Economic Recovery & CIS' Continuing Decline and Opportunities & Challenges in the Region's Energy Industries
PlanEcon, DRI/McGraw-Hill conferences with Dr. Leszek Balcerowicz, Former Polish Finance Minister, and Western Oil Industry Reps. Contact Patricia Matthews, DRI on +44-81-545-6212
LONDON

MARCH 24
Intellectual Property Issues in Collaborative Research & Development
Exploring the challenge of setting up & managing a successful R&D programme. Speakers from Patent Office, EC, OST, Universities, Industry & specialist lawyers. Update on new national & EU policies. INTERFORUM Tel: +44 (0) 71 386 9322 Fax: +44 (0) 71 381 8914
LONDON

MARCH 24 & 25
World Class International Workshops:
RE-ENGINEERING THE MANUFACTURING PROCESS - TOWARDS WORLD CLASS MANUFACTURING - intensive 2-day workshop. Practical training in the critical success factors to create a World Class Manufacturing operation. Workshop includes highly effective World Class simulation exercise (Ref: WCM2)
Contact: Vicki Welham, World Class International Ltd
Tel: 0705 268133 Fax: 0705 268160
HAMPSHIRE

MARCH 24 & 25
Tie Days: Sensors & Instrumentation
This conference is for companies presenting innovations in SENSORS AND INSTRUMENTATION to those seeking investment or new business in this sector. Following brief presentations the delegates will hold informal meetings to make direct contact and assess these opportunities.
TIE Days are an Investment Fora initiative of EU's SPRINT programme.
For further details please contact:
TIE (UK) Ltd. Tel: (44) 071 704 9702
Fax: (44) 071 704 9594 TIE S.A.
Tel: (33) 50 31 59 40 Fax: (33) 50 31 59 45
LONDON

MARCH 29 & 30
Introduction to Foreign Exchange and Money Markets
Highly participative training course covering traditional FX and money markets featuring WINDEAL a realistic PC based dealing simulation. For Corporate treasurers, bank dealers, marketing executives, financial controllers, systems and support personnel. £480 + VAT. Lywood David International Ltd. Tel: 0959 565820
Fax: 0959 565821
LONDON

MARCH 30
Launch of the Green Health Check Manual
Morning event to launch Green Health Check Manual, developed by West London TEC and Touche Ross to enable businesses to independently conduct an environmental audit. Speakers include World Wildlife Fund, Touche Ross and companies who have benefited from environmental audits. Contact: Nichola Wynne at West London TEC on:
Tel: 081 814 3250 Fax: 081 570 9969
LONDON

APRIL 14 & 15
"Opportunities in Turkey"
A two day seminar for companies with an interest in the Turkish market wishing to establish direct contacts between companies in the same or complementary sectors. Speakers will include Ministers and both countries' Ambassadors, as well as senior officials.
Contact: Beth Rayney, LCCI
Tel: 071 248 4444 Fax: 071 489 0391
LONDON

APRIL 15
Off Balance Sheet Finance and Capital Instruments - Effect of latest ASB announcements.
Capital Instruments; Off balance Sheet Finance; Views from banker, finance director, stock market analyst, credit analyst. Impact on derivatives market; tax considerations. CPE 16 points.
Contact: Lynn van Rooyen, IBC
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

APRIL 18
Introduction to Regulation
This course is designed for those new to regulated industries; looking at legal and economic aspects of regulation, covering both the utilities and other sectors. Issues: Price control techniques; enforcement; regulatory rule-making; standard setting and quality control; managing the regulators; due process in regulation; the politics of regulatory institutions.
Further details can be obtained from the Short Courses Office, London School of Economics: Tel: 071 955 7227/7015
Fax: 071 955 7676
LONDON

APRIL 18 & 20
Lafferty's International Allfinanz Convention
Allfinanz is rapidly becoming more than Retail Banking + Life Insurance. It now includes Investment Funds _ General Insurance. Increasingly banks, insurers and fund managers seek to supply ALL FINANCIAL SERVICES. Hence, this convention of three inter-related conferences.
Contact: Elaine Fitzsimons, Lafferty Conferences Tel: (+353-1) 671 8022
Fax: (+353-1) 671 3594
LONDON

APRIL 19
Offshore Safety Case Management
A conference on safety casework in the North Sea. Issues include assessing safety cases submitted to the HSE, future legislative needs, insurance risks, the legal position and safety case automation. Speakers include Michael Forsyth MP (Minister of State, Dept of Employment). Tony Barrell (Chief Exec, North Sea Safety, HSE). Organised with IChemE and Digital Equipment. Contact: Ian Dale, The Waterfront Partnership Tel: 071 730 0430
Fax: 071 730 0460
LONDON

APRIL 19 & 20
Business Performance Measurement: Transforming corporate performance by measuring and managing the drivers of future profitability
A major two-day international conference on how and why organisations are broadening their performance measurement systems to include drivers of future value such as quality, customer service and human capital.
Contact: Business Intelligence
Tel: 081-544 1830 Fax: 081-544 9020
LONDON

APRIL 27 & 28
Managing Relocation
Major CBI conference and exhibition examines wide range of domestic and international relocation issues to help companies achieve successful cost-effective transfers. Programme includes industrial relocations and group company moves.
Contact: Natalie Marsden
CBI Employee Relocation Council
Tel: 071 379 7400 Fax: 071 836 1114
PETERBOROUGH

APRIL 28 & 29
Financial Markets in the Middle East Conference
Sponsored by the UK Government, the conference will provide a unique opportunity for delegates to discuss new opportunities in the financial sector with the key decision makers from the region.
Contact: The Conference Unit, The Royal Institute of International Affairs
Tel: 071 957 5700 Fax: 071 957 5710
LONDON

MAY 10 - 12
Internet World & Document Delivery World International '94
Mecklermedia's second annual conference and exhibition exploring the products and services Internet applications can offer the company and the individual.
Venue: Novotel London Hammersmith
Contact: Stella Filmer
Tel: 071 976 0405 Fax: 071 976 0506
Mecklermedia, Artillery House, Artillery Row, London SW1P 1RT
LONDON

MAY 18
The New UK Trade Mark Law
Explores the opportunities arising from the proposed new legislation on UK Trade Mark Law; the first significant changes in 56 years. The conference will be essential for all those dealing with trade and service marks, marketing decisions, licensing executives and their advisors.
Contact: Jacqueline Hives
European Study Conferences Ltd
Tel/Fax: 0572 823699
LONDON

MAY 23 & 24
European/US International Tax Planning
International Tax Reviews Fourth Annual Seminar. Focus on trade between Europe and the US. Speakers include British Petroleum, General Motors, Barclays, UK Inland Revenue. Areas covered are Structuring Cross-border Cashflows, Unitary Taxation, Double Taxation Treaties.
For further information
Tel: +44 71 779 8719 Fax: +44 71 779 8603
LONDON

MAY 24
The New Commercial Agents Rules
Practical consequences; how to maintain cost effective sales; renegotiating contracts; other options for distribution arrangements; which jurisdiction; German case study; Agents; perspective. Essential for sales and marketing directors, finance directors and contracts managers. CPD 4.5 hours. Contact: Lynn van Rooyen, IBC
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

JUNE 6
The New UK Trade Mark Law:
Practical implications for your business. In Association with Boodle Hatfield. Registrability: Registry's view; Agent's view; Enforcement of rights; Benelux experience; Advertising world's perspective. Chaired by Mr Justice Jacob (am) Professor Gerald Dworkin (pm) CPD hours.
Contact: Lynn van Rooyen, IBC
Tel: 071 637 4383 Fax: 071 631 3214
LONDON

JULY 18 - AUGUST 5
International Business and the Environment: policy context and policy tools
London School of Economics is offering a three week, intensive, degree-level, examined course. Topics include environmental politics, sustainable development, the European debate, trade and the environment, transnational corporations, 'green' taxes and subsidies, cost-benefit analysis and discounting, environmental assessments and audits.
Contact: Nicola Meakin
Tel: 071 955 7533 Fax: 071 955 7675
LONDON

LECTURES

FEBRUARY 24
Italy in the Eve of Elections: The Left is Ready to Govern
Achille Occhetto, Secretary General, Democratic Party of the Left.
LSE European Institute Public Lecture 5:30 pm Thursday, 24 February, Old Theatre, Main Building, London School of Economics, Houghton Street, London WC2. Entrance free without ticket. The lecture is in Italian, but translation facilities will be provided.
LONDON

INTERNATIONAL

MARCH 1 1994
Eurobudget '94 Conference
European Union 1994 Budget
Business Opportunities (70 Billion Ecu)
Top EC officials will explain EU 94 budget lines and how they will benefit specific business sectors. Aimed at organisations from EU and EFTA countries wanting their share of EC funding. Chairman: John Tomlinson, MEP, Budgets Committee.
Contact: SGD Société Générale de Développement S.A., Brussels.
Tel: +32 2 512 46 36 Fax: +32 2 512 46 53
BRUSSELS

MARCH 10 & 11
Integrated European Logistics: The Barriers to Overcome
Major two day conference on European logistics integration featuring international success stories (including practical workshops).
Price: Conference only 7,990 French francs. Contact Elaine Harris, Ernst & Young Paris Tel: 010-33-1-46-93-70-00 Fax:010-33-1-47-88-00-96
PARIS

MARCH 22 & 23
Doing Business With Poland
This high-level forum will provide an opportunity to review and assess the policies of the new Polish government, the implications for the banking sector of a debt restructuring deal and the opportunities and challenges of investing in Poland.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081-673 1335
WARSAW

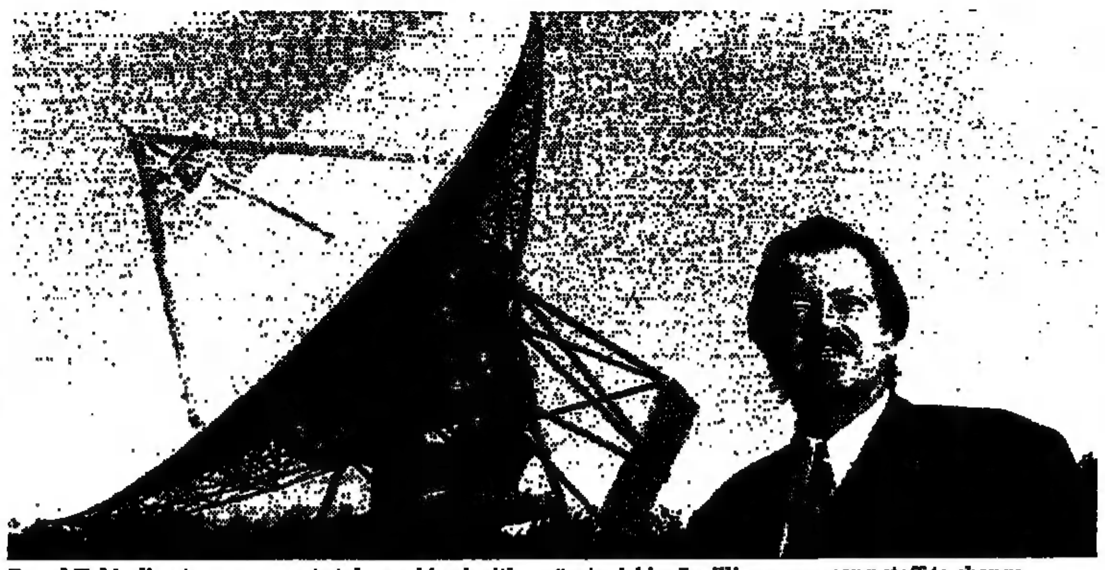
MARCH 23-25
European Business Information Conference
The international forum for anyone researching information about business in Europe. Sources and techniques for finding, using and understanding information about companies, markets, products, regulations, standards etc. Papers, workshops, case-studies and product reviews. Excellent value.
Contact Jenny Perry, TFPL Training
Tel: +44.71.251.5522 Fax: +44.71.251.8318
PARIS

MARCH 24-25
Media in Europe Towards the Millennium
A strategic conference held at a critical time in the development of the European media industry to examine the roles of the regulator, hardware supplier, distributor, media owner, advertiser and advertising agency in the media landscape as the 21st century approaches.
Contact: Club de Bruxelles
Tel: (32.2.771.9890) Fax: (32.2.770.6671)
BRUSSELS

MARCH 30 & 31
Central & Eastern European Power Industry Forum
The latest and future developments in the electricity generating industry in Central and Eastern Europe. A forum on ownership issues, creative project financing, competition and cooperation opportunities. High level.
Contact: PennWell C&E
Tel: 31-30-650963 Fax: 31-30-650915
PRAGUE

MANAGEMENT

EUROMANAGER TO WATCH



Bessel Kok's direct management style combined with an "astonishing" willingness among staff to change

Fast mover in a changing world

Andrew Hill on Bessel Kok's efforts to push Belgacom from bureaucratic leviathan to autonomous enterprise

Bessel Kok admits that Belgacom's image was a standing joke when he took over as chief executive of Belgium's state-owned telecommunications group at the beginning of 1992. Delays in connecting subscribers were "extravagant" – some 50,000 people were waiting for telephones. The mobile telephone service was "lousy" and Belgacom, formerly called RTT, was seen as an unfriendly, bureaucratic leviathan. "That's pretty heavy as a core service problem," says Kok.

His task – to transform Belgacom into an autonomous enterprise, free of direct government control – has been further complicated by European Commission plans for complete liberalisation of ordinary telephone calls by 1998. At the same time, the cash-hungry Belgian finance ministry has started to size up the company for privatisation, and telecoms competitors have begun forging international alliances.

But on January 5 this year, Kok announced that Belgacom had achieved the goals of its ambitious 1992-93 strategy: it had reduced the time taken to connect most new customers to 20 days – and set a target of five days by the end of this year, launched a new image, and established a modern, digital mobile telephone network with Pacific Telesis International, a subsidiary of PacTel, the US telecommunications group. "Some of you didn't believe we were going to meet this deadline," he told journalists. "But we have."

Kok came to Belgacom from Swift, the global money transmission network for banks, where he was chief executive for seven years. A dedicated chess fan and professor of strategic management at Brussels' Flemish University, he arrived with private-sector preconceptions about Belgacom's inefficient bureaucracy. However, he was "absolutely astonished" by the attitude of most of the company's 26,000 staff.

"The company had a very strong willingness to change," says Kok. "It went very deep in the organisation. And if you really analyse it, that's logical: it isn't funny to be perceived by the majority of the public as a sleepy organisation that doesn't listen."

Kok's management style is direct. He began Belgacom's metamorphosis with a letter to staff telling them "tomorrow will not be like yesterday" and that the old monopoly certainties were being undermined by technological advances and pan-European liberalisation. "As an organisation, we believe that this is irreversible," Kok said. "As far as our company is concerned, we do not believe that there will be a return to what we call the old times."

Since Kok's arrival the group's 4m subscribers have become "clients", whose needs are paramount. A marketing department was set up with 100 staff and a referendum issued to customers to find out what they thought about Belgacom. The 60,000 who replied said the biggest problem was still the long wait for service, from installation of a telephone to a simple directory inquiry. Kok has moved fast to find solutions to these problems.

"Belgacom was late in the process of transformation," he says. "That's why we were in a hurry. The Dutch, French, Scandinavians, even the Swiss, started their transformation programmes earlier than we did, which was a pity because in the late 1960s Belgacom was one of the leading operators in Europe."

Kok has tried the tempers of his political and boardroom bosses, some of whom he believes were still steeped in the public sector culture. In late 1992, only 11 months into the job, his management – particularly of the financial, personnel and mobile telephone dossiers – came under fire from the board. Kok says he had difficulty coping with the interventionist attitude of some directors and admits that at first he felt he had more support from below than above.

"It was extremely difficult for me to implement immediately what I call a private-sector model of authority and duties," says Kok. "In the beginning, the board perceived its authority as going far more into operational responsibilities than is done in the private sector." Kok says the situation has been "improved but not resolved". Certainly his position no longer seems as precarious as it was painted 18 months ago.

He is no stranger to combat between executive and non-executive directors. At Swift, which he joined in 1973, he struggled in vain with the organisation's dominant bank shareholders, who resisted his proposals to restructure the board, invest more power in the executive directors, and expand the network to users other than banks.

At Belgacom, Kok also has to contend with the possibility that the government may launch a premature privatisation. The finance ministry has repeatedly hinted at partial flotation as part of its modest four-year privatisation programme, which ends in 1996.

That is a short-term challenge which Kok could clearly do without. Although a fast worker, he believes a hasty privatisation could do more harm than good. As he put it in a speech in December last year: "Privatisation should be based on a clear decision of the government to go for it and then be built on a scenario of careful trade-offs [between investment, social and budgetary concerns] and, especially, appropriate timing."

Kok's main priority now is to seek other international partners. He has already overcome some internal opposition. His executive committee warned him that giving Pacific Telesis a share of the mobile telephone joint venture was "giving the jewels away and linking up with potential competition". As it turned out, the two companies were able to transform Belgium's mobile network in five months.

Richard Lapper on rising insurance costs for UK business

Staff cover proves a liability

British businesses increasingly face an uphill task in finding insurance cover for employees who suffer accidents or become ill through their work.

Employers' liability insurance, which is compulsory for UK companies, has already become much more expensive in the past three years. Next year the situation could get worse if, as expected, insurers reduce the scope of cover offered in typical policies, because of moves by their own reinsurance companies to restrict protection.

According to the UK risk managers association, Airmic, the issue ranks alongside the environment and terrorism as among the most pressing facing insurance buyers.

"It is a problem area," says Alan Fleming, executive director of Airmic. He estimates that employers' liability insurance can amount to 40 per cent of overall insurance costs for some companies.

Premium rates for manual workers have risen by an average of at least 20 to 30 per cent annually – in some cases the figure is more than 70 per cent – in recent years, with rates rising from perhaps 0.2 per cent to 5-8 per cent of payroll for some workers. The more serious threat is that *employers face even steeper* increases for their white collar workers; rates are rising from 0.01 per cent to as much as 0.3 per cent of payroll.

The background to all this is a rise in claims costs, which reflects a number of political and social trends. New official health and safety requirements and the greater willingness of workers, especially when organised in trade unions, to claim damages in the courts have led to a surge in disease claims. These now account for between 25 per cent and 40 per cent of the £500m paid each year in employers' liability claims by UK insurance companies, compared to 20 per cent 10 years ago.

The picture is expected to deteriorate further as claims from victims of new conditions – such as repetitive strain injury (RSI) and stress – come to the courts.

A recent award of £79,000 in an RSI case involving a former Inland Revenue typist is likely to encourage trade unions which are backing action by other injured workers and has highlighted what James Hopper, employers' liability specialist with Sedgwick, the insurance broker, recently qualified as a "potential epidemic".

The biggest headache of all could be finding an insurer in the first place. A number of companies have withdrawn from the market and no longer offer "standalone" policies – and more are likely to follow suit. Reinsurers have become concerned about the scale of potential losses following claims stemming from the Piper Alpha oil rig explosion in 1988.

Following Piper Alpha reinsurers are worried by the size of potential losses

They have consequently begun to curb the traditionally unlimited cover they offer insurance companies. Insurers now expect reinsurers to limit cover to between £5m and £10m per occurrence, when they renew their annual policies for 1995. This means insurers may have to introduce changes into their own contracts as they come up for renewal later this year.

What can companies do? Derek Howie, assistant liability manager for Eagle Star, the BAT Industries subsidiary, predicts the emergence of a new "excess of loss" market where corporate buyers will be able to obtain cover above the limits made available from their traditional insurers.

But risk managers, brokers and insurers expect the new combination of circumstances to lead to greater interest in self-insurance, with many buyers increasing the amount of risk they leave uninsured or self-insured. Already many larger UK companies cover all claims under a certain level – with a limit of £100,000 typical for some large companies.

"Basically, it can allow cost savings. Companies are managing predictable claims of a modest size themselves rather than handing over responsibility to insurance companies," says John Stoker, a consultant who works with Tillinghast, the actuaries and management consultants.

Self-insurance can help cut legal bills, which add thousands of pounds to costs. The self-insurance option is frequently accompanied by a more pro-active approach to claims management. Companies can also reduce their employers' liability costs by "recognising when people have a real claim and doing everything they can to settle it quickly," explains Stoker. Trying to resist all claims is like "pushing water uphill", he comments.

Another option is to create a captive company, a specially created subsidiary dedicated to insuring the risks of the parent and its subsidiaries. Forming a captive insurance company can be expensive, partly because captive managers must arrange for policies to be "fronted" by an insurance company licensed by the Department of Trade and Industry. According to Hopper, this guarantee can cost between 5 per cent and 10 per cent of the premium paid. Claims handling charges also add to the expense.

Howie at Eagle Star points out that insurers can provide valuable experience in advising employers on the complex legal issues surrounding some claims. Even so, self-insurance can still be an attractive option for many buyers, especially larger companies. "In the short term there is not a lot of money going out," explains Hopper.

Above all, the shrinkage in insurance cover will encourage companies to find ways of controlling risk through improvements in management and safety procedures.

Liz Taylor, risk manager of Harrisons and Crosfield, the conglomerate, and a former Airmic president, recommends adoption of "the best possible standards of health and safety".

The point is that if employers are unable to buy financial protection for loss at an acceptable price, they may be forced to step up actions to prevent losses in the first place.

BUSINESS TRAVEL

Policies on smoking and cabin freshness differ from airline to airline. Daniel Green investigates

A breath of fuggy air

Smoke gets in your eyes and up your nose. And so do bits of fluff, hair, skin particles and volatile emanations from the malodorous [illegible] around you. Taking a long-haul flight is more than just a matter of a comfortable [illegible] and gourmet [illegible].

Airlines differ in how they treat smokers and how often they change the air in the cabin.

On the smoking front, they tend to divide into two camps: the anti-smoking Anglo-Saxon countries, and their former colonies; and the pro-smoking rest of the world. On the issue of smoking in aircraft, France would appear to be an honorary Anglo-Saxon country.

In the "anti" corner, [illegible] smoking on all domestic flights. British Airways [illegible] not allowed smoking on its [illegible] *flights since* 1988, SAS bans smoking on flights within Scandinavia, and Singapore Airlines has [illegible] short-haul [illegible] *Air* [illegible] sidiary.

[illegible] as strict for long-haul international flights, perhaps because airlines recognise that it [illegible] harder for [illegible] to go without for eight or [illegible] hours.

Many airlines [illegible] no-smoking flights only on routes where there are at least two daily flights: smoking is [illegible] on one, [illegible] other. Such flights are available from BA, Cathay Pacific and Singapore Airlines between Europe and Asia, and on many US carriers across the Atlantic or Pacific.

WILL SMOKE GET IN YOUR EYES?

Airline	Smoking policy	Frequency of cabin air changes*
Air France	No smoking on flights under 2 hours. Separate smoking cabin on flights to S Korea/Japan	"Better than 7 litres of air per passenger per second"
American Airlines	No smoking on domestic US flights	21 litres per passenger per second; complete change every 3-8 minutes**
British Airways	No smoking on flights under 2 hours or on some long-haul flights where destination is served by second aircraft where smoking is allowed	"Every 2-3 minutes"
Lufthansa	Smoking allowed on all flights	Not available
Northwest	No smoking on US domestic or first class in long haul	Every 2-4 minutes
[illegible]	Smoking allowed on all flights except within Scandinavia	Every 2-3 minutes**
Singapore	No smoking on most flights, including on its regional subsidiary Silk Air	Every 3-5 minutes
Swissair	Smoking allowed on all flights	Every 5-8 minutes. 21 litres per [illegible] per minute
United Airlines	No smoking on US domestic flights, or on some routes with more than one flight a day	Every 3-8 minutes

*Longer times usually apply to larger aircraft such as Boeing 747s. The latest aircraft filter and recirculate air, adding to the time taken to change air completely.
**American and SAS do not have Boeing 747s.

For short-haul international flights, carriers are more divided. While SAS still allows smoking on flights outside Scandinavia, Air [illegible] smoking on flights of less than two hours. BA plans to prohibit smoking on flights of less than 90 minutes from this summer: more than 400 flights [illegible] week will be affected between the UK and much of northern Europe.

Such changes of policy [illegible] BA and Air France contrast with the attitude of German carrier Lufthansa. It exper-[illegible] with no-smoking flights in 1990, but abandoned the idea in the face [illegible] public hostility. Those in favour of an individual's right [illegible] overcame [illegible] arguing that the [illegible] and [illegible] of others [illegible] more important, says the carrier.

[illegible] Asian and [illegible] European carriers have not even experimented with no-smoking policies, perhaps because smoking is more popular in those regions.

Is it possible for an airline to please both supporters and opponents [illegible] smoking? Air France is trying: it has [illegible] special smoking compartment on flights to Japan [illegible] Korea. Economy-class smokers [illegible] back [illegible] aircraft, separated [illegible] other passengers by thick curtains.

While non-smokers [illegible] applaud [illegible] they [illegible] pleased by the issue of the freshness of the air itself.

Only US carriers have statistics about cabin air freshness at their fin-[illegible]. Most other carriers contacted by the FT had to consult their engineering departments, and often did not know precise figures.

The results of the survey show that, when it comes to air freshness, the type of aircraft matters [illegible] least as much as who owns it.

It is not easy to change cabin air frequently. At 40,000ft, the external air can be minus 60°C and almost completely dry. It must be heated by 80°C and have moisture added before it is pumped into the cabin.

This all uses fuel, so the latest Boeing and Airbus aircraft, introduced since the mid-1980s, try to cut down on the waste by recycling some warm and relatively moist cabin air. Airlines insist that this does no harm to passengers. The air is filtered using a mesh that catches many bacteria. Sleeping people extract very little oxygen, so the air the second time round should be just as capable of sustaining life as it was the first time.

Nevertheless, [illegible] completely fresh air circulating around them should avoid travelling in new aircraft, [illegible] as [illegible] Boeing 747-400 and Airbus A320, while smaller aircraft tend to change the air [illegible] frequently.

[illegible] paying [illegible] the [illegible] expensive [illegible] will [illegible] air quality than those with cheap [illegible]. The air in an aircraft flows from the front to the back; the further forward you are, the fresher the air, unless there are smokers in front. Moreover, with fewer [illegible] per square metre in the [illegible] expensive seats, each has more fresh air.

As [illegible] that were not enough, [illegible] airline has just made the fresh air class distinction even greater. US carrier Northwest last month banned smoking in all first-class cabins.

High-cost connections

Andrew Adonis on the price of using cards to make phone calls from hotels

Business travellers [illegible] had [illegible] accept extortionate hotel telephone charges as a fact of life. Then came the calling card, enabling them to avoid hotel rates by using freephone [illegible] special connection numbers, which credit [illegible] charge to a phone or [illegible] card account.

Not to be outwitted, many hotels have reacted by barring [illegible] and placing [illegible] hefty levy – euphemistically called a "connection fee" – on those wanting to dial access numbers via hotel operators. Travellers intending to spend much time on the phone should check on hotel policy. One call could save a large part of the final bill.

In the US, where more than 100m citizens now have calling cards, most hotels long ago caved into consumer demand and allowed calling card holders to dial direct. The standard access charge is 75 cents. Access codes for AT&T and the other carriers are often advertised in bedrooms.

By contrast, London hotels generally still try to hold on to their extra income from phone [illegible].

[illegible] the worst [illegible] in [illegible] random survey of six central London hotels, levying a £2.50 premium on any call via an 0800 [illegible] phone number. The Cumberland Hotel in Marble [illegible] charges a £2 connection fee for all access numbers for charge cards, including 0500, 0800 and [illegible] for BT. The Regent's Park Hilton charges £1.50, and the Holiday Inn at King's Cross £1.

Two of the six levy no charge. The Grosvenor House Hotel in [illegible] Lane [illegible] bar [illegible] numbers. Better still, [illegible] Beaufort [illegible] in Knightsbridge neither bars numbers nor charges any mark-up [illegible] BT [illegible] dialled calls. "We believe [illegible] are [illegible] only [illegible] in London [illegible] charge guests straight BT prices, [illegible] extra," it [illegible].

Do [illegible] have any tales of extortionate hotel telephone charges or [illegible] practices? Send [illegible] experiences [illegible] Andrew Adonis, fax: 071-873 3085.

BT [illegible] Mercury say [illegible] they can [illegible] "try [illegible] persuade" [illegible] charge lower [illegible].

[illegible] Holders of American Express [illegible] in [illegible] UK will be [illegible] to use them [illegible] phone calling cards under [illegible] deal signed by Amex and Mercury, the UK [illegible] last [illegible].

After applying for a personal number, [illegible] can [illegible] calls [illegible] Amex account [illegible] Mercury calling card rates – which are generally lower than BT's but higher than US cards for transatlantic calls. Corporate card holders are eligible immediately; all 1m Amex card holders in the UK can [illegible] later this [illegible].

Hong Kong competition

Competition on routes between London and Hong Kong is [illegible] markedly. Today Virgin Atlantic will [illegible] a daily [illegible] *the two* [illegible]. Virgin [illegible] offering an [illegible] inflight entertainments, *including video gambling*. Not to be outdone Cathay Pacific will add three flights a week [illegible] *March* [illegible].

Franc fares

Air travel in the [illegible] franc [illegible] become a lot *more* [illegible]. Airlines [illegible] in the zone plan [illegible] increase their fares by up to *70 per cent after the January* devaluation in the CFA zone. Members of the Francophone *Association of Air Transport* last week approved a 60 per cent increase in round-trip *fares, a 70 per cent rise in one* way fares and a 100 per cent *increase in freight fares*. Air France, Royal Air Maroc, Air Afrique and Cameroon Airlines *are among the carriers seeking* the rises, which need the approval of their [illegible].

Indonesian Aids move

Indonesia may require *expatriate workers to carry* certificates to prove they do not have Aids, the welfare ministry said last week. There were no details on when the provisions [illegible] into force but it [illegible] thought [illegible] and business visitors will be exempt.

Vietnam

Northwest airlines is seeking permission to start regular *flights to Ho Chi Minh City*, following the recent lifting of the US embargo on trade with Vietnam.

Southwest on time

Southwest airlines was the best time keeper among US airlines last year, according *to official figures published* last week by the Transport Department.

Southwest completed 89.7 per cent of its flights on time, defined as within 15 minutes *of the scheduled arrival time*. Northwest was second with 85.9 per cent, closely followed by America west at 85.5 per cent. Significantly perhaps [illegible] the largest *US carriers* were well down the list: USAir stood at 82.9 per cent; TWA 82.6 per cent; American 86.8 per cent; Continental 79 per cent; United 78.5 per cent and *Delta* 76.7 per cent.

Duty free

EU finance ministers last week raised duty free allowances *for travellers coming to and* travelling within the EU. Under rates which come into *force* on April 1, [illegible] arriving from non-EU countries will be allowed to *bring* in duty-free goods worth 175 European currency units ($195), almost four times the *current* limit of 45 Ecus. For travellers between EU states the limit will doubled to 90 Ecus.

Trouble spots

US travellers are advised by the *state* department to stay away from Angola because of armed troops, roadside bandits and unexploded land mines. Visitors to the Baltic states of Estonia and Latvia should be aware that crime, sometimes violent, is on the increase, warns the UK foreign office. Take precautions such as using hotel safe deposit boxes.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
[illegible]	[illegible]	7	6	7	7
Hong Kong	18	19	18	14	12
[illegible]	[illegible]	[illegible]	[illegible]	7	7
Frankfurt	2	3	4	6	9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
L.Angeles	16	18	21	23	24
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	4	9	7	10	10
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10

[illegible]
Information supplied by [illegible]

THE MONDAY
People page

Turning the moribund into mainstream

Ron Brown, the US secretary of commerce talks to **Jurek Martin** and **Nancy Dunne** in Washington

T[redacted] a faintly down-at-heel [redacted] about [redacted] department. [redacted] put [redacted] economic [redacted] and [redacted] about people and [redacted] but it rarely appeared a big player in government when [redacted] against [redacted] houses of treasury, [redacted] department [redacted] it developed [redacted] over the [redacted] 20 [redacted] the [redacted] the trade representative.

Commerce [redacted] were [redacted] political [redacted] comfortable businessmen [redacted] went, leaving [redacted] much of [redacted]

To [redacted] Ron Brown's quarters [redacted] instantly [redacted] difference. They are as stylish and [redacted] as [redacted] secretary himself, perhaps [redacted] most elegant [redacted] in Washington. They [redacted] of a plush lobbying law firm, one [redacted] which, [redacted] aggressive Patton, [redacted] and Blow, [redacted] his home for much [redacted] 1980s. They [redacted] the [redacted] a quintessential Washington insider, right down to the fish tanks, the computer terminals and big pictures, beyond number, of Ron Brown and his many friends, from his president [redacted] downwards.

Simply [redacted] Brown [redacted] just such a person, it puzzles that he should [redacted] for dear old moribund commerce when, as one of the major [redacted] of Bill [redacted] election victory, his [redacted] surely have [redacted] wider. "Well, I won't say I wanted to be secretary [redacted] commerce from the day I was born, but one of the things I always noticed was [redacted] this was [redacted] department of enormous untapped potential. Anyway, something [redacted] me likes challenges, [redacted] enticing. And [redacted] campaign was all [redacted] and I thought [redacted] department could [redacted] impact on it."

That impact was certainly seen just last week when Ron Brown stood shoulder-to-shoulder [redacted] president [redacted] triumphantly [redacted] contract for the sale of commercial jets to Saudi Arabia. He [redacted] player [redacted] administration strategies for Nafta, [redacted] Uruguay [redacted] fraught negotiations with Japan.

His proudest [redacted] far [redacted] national export strategy, which, [redacted] European reactions [redacted] anything [redacted] by, already has US competitors deeply [redacted] Its goal is $1,000bn in exports by [redacted] of the century, nearly double [redacted] levels, generating, [redacted] calculates, [redacted] new jobs at home.

"Government should [redacted] initiate [redacted] tracts," he says. "That is up to the private sector, [redacted] if [redacted] makes that judgment [redacted] should [redacted] aggressive action [redacted] government's part [redacted] help them." And why not, he goes on, for that is exactly [redacted] the [redacted] US trading [redacted] been doing for [redacted]

He can [redacted] over as [redacted] supersalesman (he prefers [redacted] word "advocate"), though this would be grossly [redacted] misread his talents. His [redacted] been [redacted] enough – and only his colour makes it relatively unusual. He grew [redacted] in the [redacted] Hotel [redacted] Harlem glittered and where his father was manager. His [redacted] was [redacted] the [redacted] private schools in the north east and he was [redacted] army lieutenant at .

A [redacted] degree [redacted] St John's [redacted] sity in New York got him on board the [redacted] movement, with the Urban League. [redacted] moved on to be [redacted] [redacted] of the [redacted] judiciary [redacted] under Edward Kennedy, worked for his abortive 1980 campaign and then moved on [redacted] Patton, [redacted] Blow, [redacted] his clients ranged from Japanese corpo[redacted] family and where he began to make serious money – and some [redacted] (The New York Times came close to opposing his nomi[redacted] a year [redacted] mostly [redacted] he had been that ultimate object of mistrust, a lobbyist).

In 1988 he managed the Rev Jesse [redacted] bid [redacted] presidency, and he was still seen mostly as a tool of the Kennedy-Jackson liberal [redacted] when, against many odds, he [redacted] Democratic Party [redacted] chairman early [redacted] This induced undisguised [redacted] among Republicans. George Will, the conservative columnist, [redacted] time: "Democrats [redacted] already turning briskly to [redacted] business of losing the [redacted] and some [redacted] them [redacted] that the coming election of Ronald Brown as party chairman will be a [redacted] in that direction."

Four years [redacted] a [redacted] president was inaugurated. What he did [redacted] those four years [redacted] chairman – raising [redacted] a sense of purpose and ultimately [redacted] the many [redacted] factions behind [redacted] man he saw as [redacted] winner – he is now seeking to replicate in government and inside [redacted] commerce department.

He did not have to demand a seat at [redacted] administration high policy table, [redacted] Mr [redacted] theological [redacted] in collegiality [redacted] an [redacted] place. [redacted] good cardinal, his opinions [redacted] pretty indistinguishable from [redacted] rest. "We've been consistent for [redacted] months, we [redacted] targeted, results-oriented [redacted] policies.'

On Japan, this most political of opera[redacted] expresses [redacted] in Tokyo's unfolding [redacted] but [redacted] policy prior [redacted] the [redacted] 10 days [redacted] could not be determined "to the depths [redacted] interpreting every [redacted] in [redacted] Japanese politics." [redacted] important [redacted] necessity [redacted] getting Japan to [redacted] by its agreements - in [redacted] framework negotiations [redacted] broke down [redacted] the summit [redacted] phone exports.

But it has not been all guts and glory for Ron Brown. It was only a few weeks back that he was cleared of [redacted] that he had solicited money in return for helping to lift the trade embargo against Vietnam, finally ended February 3. He claims he was not "deterred or distracted" but then says Washington, which he knows like the back of his hand, "[redacted] getting meaner [redacted] worse." [redacted] "I [redacted] feel victimised, I'm the kind of person that moves on." To the state department perhaps? Ron Brown also knows when to smile and say nothing.

Personae . . .

Monetary institute truly European

Though Germany's Gunter Baer, 53, the secretary-general of the European central bank governors' committee, lost out [redacted] France's Robert Raymond in the race for the director general's job at the newly created European Monetary Institute, his deputy. Hanspeter Scheller, 51, has picked up the consolation [redacted] of heading Raymond's general secretariat.

Scheller, [redacted] central banking career [redacted] Bundesbank, [redacted] a member of the secretariat of the Bank for International Settlements since the 1970s. He is one of three new faces who will run the EMI when [redacted] finally settles down in [redacted] yet [redacted] be found headquarters in Frankfurt.

The EMI [redacted] turned [redacted] Dutch central bank for its head of monetary, economic and [redacted] department. [redacted] Hogeweg, 47, who runs the payments systems [redacted] department [redacted] De [redacted] Bank. Before [redacted] he [redacted] a [redacted] Netherlands' alternate executive director at the International Monetary Fund between 1987 and 1991.

Meanwhile, Jim Etherington, 39, (below), who joined the Bank of England straight from school, has been appointed head [redacted] EMI's information and communications systems department. He has [redacted] managing the Bank's information technology operation servicing the policy, markets and supervision area.

The [redacted] clutch of appointments has filled most of the key jobs in the EMI's top management team. It still needs to recruit a head of administration and a head of reserve managemen[redacted]. Filling the latter is not felt to [redacted] particularly urgent since it is unlikely that the EMI will [redacted] managing a large amount of reserves in the short-term.

The rash of appointments at the EMI has had a [redacted] effect [redacted] the BIS. Baer, who had been the EMI's acting director general, will take over from Giampietro Morelli, the BIS's secretary general, when he retires in August. Guy Noppen, Belgium's executive [redacted] at the European Bank for Reconstruction and Development, joins the BIS secretariat in March and will [redacted] Bank's administrative responsibilities. Meanwhile, William White, deputy governor [redacted] Bank of Canada, is joining [redacted] BIS and will take over as head of [redacted] monetary and [redacted] department [redacted] Horst Bockelmann retires in April [redacted]

Jenrette eases up at Equitable

[redacted] nursing [redacted] Equitable through some of its blackest hours, Richard Jenrette, chairman of the 135-year-old US [redacted] easing his grip on the reins [redacted] power and allowing a [redacted] generation of managers [redacted] chance, writes Richard Waters.

Jenrette, 65 in April, [redacted] week gave up the chairmanship [redacted] Equitable's [redacted] life assurance subsidiary – though [redacted] chairman and [redacted] of the [redacted] The move allows Joseph Melone, 62, [redacted] subsidiary's [redacted] executive, [redacted] chairman, in turn making room for James Benson, 47, [redacted] president [redacted] chief operating [redacted]

Benson, a marketing expert who learnt the trade at Pacific Mutual Life, was brought in less than a year ago by Melone (himself a former president of Prudential Insurance) to drive the life business forward. [redacted] that [redacted] has sorted out the mess in its balance sheet, Melone says it is [redacted] to make its capital grow "the old-fashioned way – [redacted] making money".

For [redacted] – [redacted] founder of [redacted] Jenrette, the investment bank now [redacted] by Equitab[redacted] – the [redacted] proved [redacted] busy [redacted] months after being thrust into the top [redacted] brought in French insurer Axa as a 49 per [redacted] shareholder in [redacted] (when losses plunged to nearly [redacted] took [redacted] group public the next year. The question now is: how [redacted] will he stay? Last week's [redacted] studiously [redacted] on the matter, saying only that Jenrette had "no near-term plans [redacted] retire".

Following in Sekimoto's footsteps

NEC, the Japanese electronics and [redacted] company, will be headed by a younger president than has been the case for some time when Hisashi Kaneko takes over from Tadahiro Sekimoto who has been at the top for an unusually long 14 years, writes Michiyo Nakamoto.

Kaneko, 61, has long been [redacted] a natural successor to Sekimoto, 68, who, as [redacted] chairman, will [redacted] energies [redacted] activities in [redacted] wider business community.

The new president, who [redacted] currently executive vice president, followed a similar career path to that of his [redacted] and worked for [redacted] long time on the telecommunications [redacted] of NEC's [redacted] His rather uninspiring personal style has won him the nickname of "mini-Sekimoto", according to one Japanese newspaper.

Kaneko graduated [redacted] the prestigious University of Tokyo's engineering department and joined NEC in [redacted] After [redacted] company's [redacted] Lab, Kaneko moved [redacted] US to become president and chief operating [redacted] NEC in [redacted] in [redacted]

Kaneko takes over at a less than opportune time for NEC, which is suffering from [redacted] downturn as [redacted] as increased competition, but the company seems to have [redacted] the worst of the bad times.

The new president's leadership and vision will be tested in the years ahead; NEC will be particularly [redacted] to develop new market areas as its [redacted] in the [redacted] PC market is threatened from overseas.

Opera

Rigoletto a clear winner

Among Nuria Espert's productions for the [illegible] Opera, her [illegible] always looked like [illegible] clear winner. Some [illegible] on, it still does; it [illegible] its fourth run on Saturday, expertly [illegible] by Daniel Dooner. Ezio Frigerio's [illegible] loom [illegible] superbly [illegible] ever, exuding dankness and menace, lit [illegible] gloomy perfection. I thought I remembered "real" rain in [illegible] storm scene – none this [illegible] but perhaps [illegible] had been an illusion conjured up by the visible gale-force pyrotechni[illegible]

On the other hand, [illegible] naughty Duke and Maddalena appeared here [illegible] be working up [illegible] bout [illegible] toe-sucking: [illegible] new [illegible] become newly [illegible] to such possibilities. With [illegible] Powell's sultry, sulky Maddalena and Francisco [illegible] ducal spiv, [illegible] likely enough. [illegible] was good [illegible] hear Araiza's lusty, forthright [illegible] after [illegible] long absence from [illegible] Garden. [illegible] top notes [illegible] cold, but it mattered little, and his troubled soliloquy in Act 2 conveyed a mature sense of loss.

Leo Nucci returns as Rigoletto, with the histrionics well controlled and a magnificently scathing, desperate "Cortigiani!". [illegible] new Gilda [illegible] the Korean [illegible] Young-ok Shin, pretty, touching and precociously [illegible] Under pressure the [illegible] some other [illegible] sopranos) [illegible] electrical, [illegible] vibrato, curiously effective. Their sad [illegible] duet is perhaps too brightly lit: that Grand Guignol exercise is better imagined than laid out for close inspection.

There is a solid, chilly Sparafucile from Alastair Miles, and confident support from John Dobson, David Ellis, Eric Garrett and Peter Sidhom as various courtiers. The three principal roles will be taken by other singers in the course of the run, as has become the way with Royal Opera revivals – the Romanian baritone Alexandru Agache, the tenor Jerry Hadley and an American newcomer, the soprano Maureen O'Flynn; and a different conductor, Paul Wynne Griffiths, will lead the last two performances.

The current conductor, however, is a notable discovery. She [illegible] a 32-year-old [illegible] lian, Simone Young. She makes her mark not by any gimmicks or radically "new" readings (for which [illegible] tightly built [illegible] really leaves no room), but by [illegible] professional command. [illegible] was plenty [illegible] energy, without [illegible] hysteria – nor any uncertain moment; the orchestral balance was impeccable; the singers enjoyed close, unfailing support. [illegible] the storm progressed, the off-stage male [illegible] who do [illegible] wailing [illegible] slipped out [illegible] synch with the woodwind raindrops, but that [illegible] lapse [illegible] the only [illegible] must hope that Berlin and Munich will [illegible] this [illegible] con[illegible] time [illegible] Covent [illegible] often.

David Murray

Sponsored by the National Westminster Bank.

Slave to the cult of celebrity

Richard McClure on the portraits of star photographer Annie Leibovitz

The over-muscled torso of Sylvester Stallone, which adorns a recent cover of Vanity Fair, neatly illustrates both the best and worst aspects of Annie Leibovitz's portraiture. As a brash, eye-catching incentive to purchase, it is unsurpassed. On every other level, it is a sham.

Stallone poses nude as Rodin's *The Thinker*, although the gushing coverline, "Sly's Body of Art", [illegible] his physical, rather than any cerebral, attributes. Inside, further pic[illegible] credit a stylist, set designer, hair and make-up artists, plus there are honourable mentions for "jeans by Gianni Versace and sheets by Ralph Lauren". This is not so much an exposition of the actor's psyche [illegible] highly [illegible] shoot.

[illegible] of which would [illegible] unless [illegible] major retrospective [illegible] National Portrait Gallery, "Annie Leibovitz Photographs 1970-1990", [illegible] not [illegible] us [illegible] such work [illegible] artistic [illegible] Leibovitz herself [illegible] the [illegible] between her [illegible] work [illegible] Vanity [illegible] Rolling Stone, which [illegible] up [illegible] bulk [illegible] show, and [illegible] lucrative assignments [illegible] Express [illegible] The Gap. [illegible] excludes on the grounds that they are merely advertising, but there is little difference, either pictorially or commercially, between a photograph of John Cleese endorsing a credit [illegible] Vanity [illegible] Arnold, which provided timely publicity for the publication of the [illegible] autobiography.

[illegible] contributing to [illegible] magazine for more than [illegible] decade, during which [illegible] she [illegible] court photographer [illegible] nobility of popular culture. Her slick, [illegible] portraits [illegible] actors, singers and sportsmen in mildly provocative, staged poses have resurrected the magazine's circulation figures and have already drawn more than 1m people to [illegible] exhibition, which is touring Europe and the US.

But in helping to foster this cult of celebrity, Leibovitz [illegible] become [illegible] slave. Just [illegible] Norman Parkinson was limited by royal protocol, so Leibovitz faces similar restrictions from [illegible] employed to [illegible] their clients' personal mythology. In a Hollywood, where publicists call the shots and journalists are blacklisted for penning unfavourable reviews, she would be [illegible] to acqui[illegible]

[illegible] with this [illegible] creativity, Leibovitz relies on a variety [illegible] inject [illegible] into [illegible] proceedings – Clint [illegible] bound with [illegible] perches on an elephant's trunk; Jeff Koons [illegible] daubed with [illegible] paint from head [illegible] toe. Elaborate [illegible] and posturing [illegible] necessarily the [illegible] percipient studies, such as [illegible] defiant Ella Fitzgerald or [illegible] world-weary Vaclav Havel, are also the least flamboyant.

In these, she follows Bill Brandt's [illegible] advice to "see the subject first. Do not try to force it to be a picture [illegible] this, [illegible] or [illegible] thing. [illegible] apart from it. Then something will happen. The subject will reveal itself". There is certainly [illegible] in Leibovitz's portraits; though not in [illegible] way Brandt intended. Like Stallone, many of her subjects strip off for her lens, as if bared chests can be a substitute for bared souls.

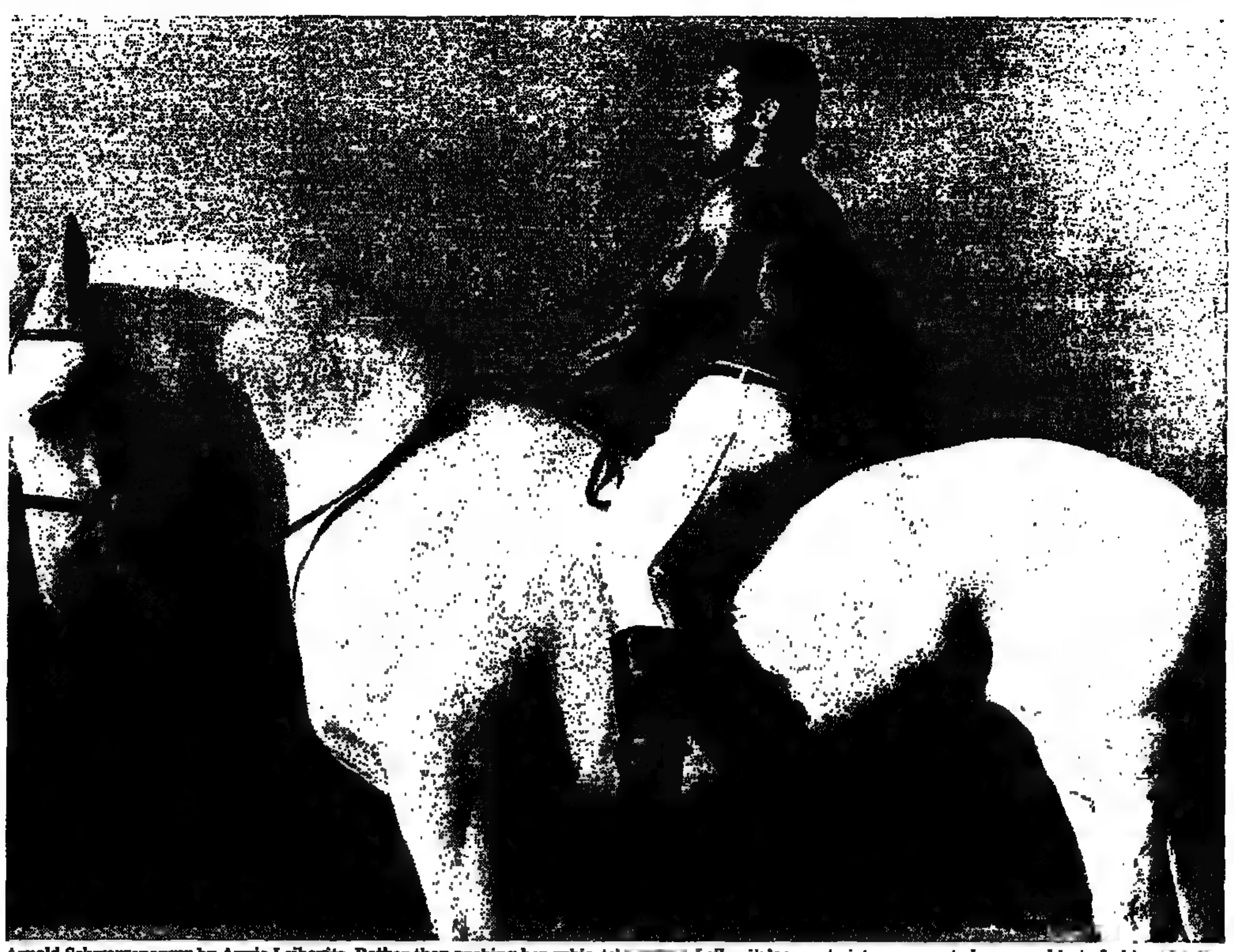
Too often, Leibovitz seems enthralled by her subjects, willing to pander to their outsized egos. The exhibition [illegible] with subjects, crying out [illegible] satirised, who instead inhabit irony-free zones. Even those emblems of excess, Liberace and Donald Trump, pictured in all their glorious ostentation, suffer only self-inflicted wounds.

In her defence, Leibovitz [illegible] as revealing [illegible] anything else [illegible] sometimes [illegible] all [illegible] is. With some people it's not going to get any further". [illegible] valid point, but by allowing her subjects so much control of the image, she only adds lustre to this surface. (Michael Jackson even gave advice on how to light him in the most flattering manner.) Leibovitz calls such methods collaboration; collusion might be more accurate.

Of course, she is by no means the [illegible] photographer [illegible] contribute to the smooth running of Hollywood's publicity machine. Angus [illegible] confessed to removing freckles and [illegible] from his 1930s portraits of Vivien Leigh, but [illegible] the line at the practices of US film studio photographers "who [illegible] all char[illegible] in pursuit [illegible] perfection".

It was not always [illegible]. During the 1970s, Leibovitz's reportage for Rolling Stone captured [illegible] seamier, [illegible] airbrushed [illegible] decade, [illegible] tagged along with [illegible] and disgraced presidents. [illegible] portraits [illegible] Mick [illegible] still tingle with [illegible] of his [illegible] performance. Covering the Watergate scandal, [illegible] was present [illegible] the White House lawn in 1974 as Richard [illegible] final, ignoble departure by helicopter, guards quickly rolling [illegible] presidential red carpet.

[illegible] memorable pictures [illegible] as [illegible] reproach to [illegible] astray. [illegible] time [illegible] withdrew her [illegible] red carpet [illegible] for Hollywood's elite; [illegible] formula [illegible] wearing thin.



Arnold Schwarzenegger by Annie Leibovitz. Rather than probing her subjects' [illegible] Leibovitz's recent pictures seem to be more akin to fashion [illegible]

Derek Jarman: his humour and delight in outrage gave even his "serious" films the power of laughter

Obituary

An artist but not a rebel

Derek Jarman, who died on Saturday, was that rarity in cinema: an independent filmmak[illegible] who never sacrificed or hazarded his independence. His record attests to a stubborn refusal to "sell out": no other director in [illegible] time has spent 20 years making acclaimed feature films without once reaching [illegible] budget of £1m.

Yet in a movie age when the cry has been "Is the money up on the screen?", with Jarman the answer was always yes. In early films like *Jubilee* and *The Tempest*, in late films like *The Garden*, *Edward II* and *Wittgenstein*, he rejected [illegible] casting and multiple locations to film with largely unknown actors in tiny studios, abandoned warehouses or derelict country homes, borrowed or rented and dressed [illegible] in the colours of his imagination.

The "location" for Jarman's films was his own mind. He came to directing from painting and designing (opera, ballet, Ken Russell's *The Devils*) and he took the self-expressive spirit of the 1960s, the time of his studentship at the Slade School of Art, into virtually all his later films. These began as experimental shorts, shot on Super-8 and/or [illegible] to achieve Jarman's unique early style: a dream-like, blurry staccato like paintings shimmering into life.

Later, some of the improvisatory style and demotic working methods of these shorts – diary-like records of friends and places Jarman loved – were [illegible] his [illegible] films. His first, *Sebastiane*, was made with friends on a glorified working holiday in Sardinia: a gay *confessio amantis* thinly disguised as the story of [illegible] Roman saint and playfully scripted in dog Latin. This protypical Jarman movie provoked the protypical dual response from viewers: delight [illegible] fans and outrage [illegible] those offended by the male nudity, apparent plotlessness and historical/religious irreverence.

[illegible] Jarman films brought [illegible] similar blend [illegible] anarchy and licensed [illegible] Shakespeare (*The Tempest*), the Italian [illegible] (*Caravaggio*), 20th-century philosophy (*Wittgenstein*), the [illegible] (*The Garden*) and the English monarchy (*Jubilee*, *Edward II*).

Jarman [illegible] he [illegible] no rebel: just an [illegible] claiming the right to [illegible] and self-expression in [illegible] homophobic age; and the right [illegible] the England he [illegible] – [illegible] Shakespeare, English [illegible]ture and painting, and the English countryside – by satirising [illegible] England he [illegible]. This, for him, was the [illegible] new Toryism [illegible] perceived and depicted in his anti-[illegible] broadside, [illegible] Of England.

A residual division [illegible] style, though, stayed in Jarman's work throughout his [illegible]. While the [illegible] visual experimentation [illegible] early [illegible] was carried over into the daring [illegible] films like *Imagining October*, *The Angelic Conversation* and *The Last Of England*, his films based on famous texts or famous lives were more linear and accessible.

Even here, however, movie orthodoxy hardly [illegible] Though the films had scripts [illegible] professional [illegible] and were shot in [illegible] they still startled us with their seditious touches. [illegible] (motorbikes and pocket [illegible] in *Caravaggio*); music-hall burlesque (Elizabeth Welch singing "Stormy [illegible] *Tempest*); gay agit-prop (demos and banners in [illegible] *II*); rampant surrealism (a green [illegible] in *Wittgenstein*).

[illegible] humour [illegible] his delight in [illegible] outrage gives [illegible] "serious" films [illegible] power [illegible] laughter [illegible] surprise. In his last years he was the least self-pitying [illegible] all [illegible] struck by Aids. His will and [illegible] him [illegible] on working long after doctors [illegible] despaired [illegible] his health.

[illegible] *Blue*, his last, powerfully moving film, there are wit and wry [illegible] Jarman's spoken thoughts and [illegible] play over [illegible] single, unchanging colour on [illegible]. Blue [illegible] him the colour [illegible] infinity, [illegible] colour of favourite flowers, the [illegible] of [illegible] landscape [illegible] sky). "Blue". [illegible] him [illegible] his work, [illegible] colour [illegible] mood or emotions, nor [illegible] of his films. He was [illegible] icono[illegible] British [illegible] had.

INTERNATIONAL

ARTS GUIDE

■ BERLIN

OPERA/DANCE

Staatsoper unter den Linden Tonight, Thurs, Sun: Der fliegende Holländer with Ekkehard Wlaschiha, Poul Elming and Mara Zampieri. Tomorrow, Fri: Tiefland. Wed, Sat: John Cranko's ballet The Taming of the Shrew (200 4762/2035 4494)

Deutsche Oper Tomorrow, Sat: Aribert Reimann's 1992 Kafka opera Das Schloss. Wed: Macbeth with Simon Estes and Galina Kalinina. Thurs: Otello with René Kollo and Julia Varady (repeated March 1 and 4). Fri: an evening of John Neumeier ballets. Sun: Un ballo in maschera (341 0249)

CONCERTS

Schauspielhaus Tonight: Michael Schoenwandt conducts Berlin Symphony Orchestra in works by Friedrich Kuhlau, Elgar and Richard Strauss. Tomorrow: Hartmut Haenchen conducts CPE Bach Chamber Orchestra in Pergolesi, Bach and others, with alto soloist Jochen Kowalski. Fri: Lothar Zagrosek conducts Berlin Radio Orchestra and Chorus in Schreker and Hindemith. Sat, Sun, next Mon: Salvador Mas Condé conducts BSO in Ravel, Mozart, Fauré and Haydn (2090 2156)

Philharmonie Tomorrow: Alois Koch conducts Berlin Symphony Orchestra and St Hedwig's [illegible] Choir in [illegible] Requiem. Wed, Thurs, Fri: James Levine conducts Berlin Philharmonic Orchestra in symphonies by Zemlinsky and Sibelius, with soprano Deborah Voigt and baritone Franz Grundheber. Sun: Mendelssohn's oratorio St Paul (2548 8132)

THEATRE

■ Peter Handke's wordless theatre piece, Die Stunde da wir nichts voneinander wussten, is directed by Luc Bondy at the Schaubühne, with [illegible] cast of 15 actors and dancers from France, Spain and Britain, alongside 25 members of the Schaubühne ensemble. The production will visit this summer's Edinburgh Festival (890023)

■ Botho Strauss' Das Gleichgewicht, the latest play by Germany's leading contemporary dramatist, is directed by Thomas Langhoff at the Deutsches Theater. Premiered at last summer's Salzburg Festival, it is set in Berlin and examines some of the unsettling personal undercurrents in modern German life (2844 1225)

● Neil Simon's boulevard comedy Sonny Boy can be seen daily till March 20 in an award-winning production at Theater am Kurfürstendamm (882 3789)

■ NEW YORK

THEATRE

■ Hello Again: Michael John LaChiusa's sexy and adventurous musical is the new off-Broadway hit of the season (Mitzi E. Newhouse, Lincoln Center, 239 6200)

● Angels in America: Tony Kushner's epic two-part drama - about religion, sex, Aids and corrupt politics - conjures a vision of America at the edge of disaster. Part one is Millenium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, [illegible] West 48th St, 239 6200)

● Four Dogs and a Bone: John Patrick Shanley's comedy about movie-making and power plays in Hollywood was one of off-Broadway's biggest hits last autumn (Lucille Lortel, 121 Christopher St, 924 8782)

■ Laughter on the 23rd Floor: Neil Simon's 27th Broadway play, about a group of authors trying to write a new show, is one of his finest comic efforts. Directed by Jerry Zaks (Richard Rodgers, 226 West 46th St, 307 4100)

● The Sisters Rosensweig: Wendy Wasserstein[illegible] play, a comedy with serious undertones, about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200)

■ Carousel: Nicholas Hytner's acclaimed production of Rodgers and Hammerstein's 1945 musical comes to New York via London's National Theatre. In previews (Vivian Beaumont, Lincoln Center, 239 6200)

■ My Fair Lady: Howard Davies' genial new production of the Lerner and Loewe musical, with Richard Chamberlain as a suave Professor Higgins and Melissa Errico the attractive Eliza (Virginia, 245 West 52nd St, 239 6200)

■ She Loves Me: the 1963 Bock, Harnick and Masteroff musical [illegible] delicate, unabashedly simple story with [illegible] the humanity, integrity [illegible] charm that Broadway's mega-musicals [illegible] (Brooks Atkinson, 256 [illegible] 47th St, 307 4100)

■ Crazy for You: the award-winning musical comedy based on Gershwin's 1930 hit Girl Crazy (Shubert, 225 West 44th St, 239 6200)

DANCE/OPERA

State Theater This is the final week of New York City Ballet's winter season. It includes all-Balanchine programmes on Wed and Fri, new works by Peter Martins and Richard Tanner on Sat and a gala benefit on Sun featuring a Martins world premiere entitled Papillons. Next [illegible] Mikhail Baryshnikov's White Oak Dance Project. March 11-27: Dance Theatre of Harlem (870 5570)

Metropolitan Opera Tonight's performance is the first this [illegible] of Poulenc's Dialogues de Carmélites, with Dawn Upshaw, Teresa Stratas and Helga Dernesch, conducted by Kent Nagano (in repertory till March 19). Tomorrow, Sat: La fille du régiment with Harolyn Blackwell (till March 10). Wed, Sat [illegible] final performances this season of Colin Graham's new production of Death in Venice, with Anthony Rolfe Johnson and Thomas Allen. Thurs: Le nozze di Figaro with James Morris and Marie McLaughlin. March [illegible] 5, 9, 12: Stiffelio with Placido Domingo. March 3, 7, 11, 14, 19, 23, 26: Mirella Freni stars in Adriana Lecouvreur (362 6000)

CONCERTS

Avery Fisher Hall Tonight: Yevgeny Svetlanov conducts Russian State Symphony [illegible] in [illegible] by Tchaikovsky, Musorgsky, Rimsky-Korsakov, Borodin and Stravinsky. Tomorrow: Valery Gergi[illegible] York Philharmonic [illegible] in Rimsky-Korsakov, Berlioz and Musorgsky/Ravel. Thurs, Fri, next Tues: Leonard Slatkin conducts NYPO in works by Kolb, Sibelius and Vaughan Williams, with violin soloist Joshua Bell. March 4: Yevgeny Kissin piano recital (875 5030)

Carnegie Hall Tomorrow: Isaac Stern, Emanuel Ax, Jamie Laredo [illegible] Yo Ma in piano [illegible] by Mozart, Fauré and Dvorak. Fri: José van Dam song recital (247 [illegible])

JAZZ/CABARET

Blue Note George Shearing duo and Kenny Burrell trio begin an engagement tomorrow (131 West 3rd St, 475 8592)

Carlyle Hotel Eartha Kitt is in the midst of a six-week run, [illegible] keeping a feral grip on her audience (Madison Ave at 76th St, 744 1600)

Rainbow [illegible] Stars American veteran Rosemary Clooney, renowned for her supple voice, funny presentation and experienced back-up band, continues her month-long engagement (30 Rockefeller Plaza, 632 5000)

■ PARIS

MUSIC/DANCE

Opéra Bastille Repertory for the next two weeks consists of a new production of Salome and a revival of Bob Wilson's production of Die Zauberflöte. The Strauss is conducted by Myung-Whun Chung and directed by André Engel, with [illegible] Huffstodt, [illegible] Rysanek and [illegible] The [illegible], conducted by Jonathan Darlington, [illegible] a [illegible] by Janice [illegible] and Manfred Hemm (4473 1300)

Palais Garnier Ballet [illegible] l'Opéra de Paris presents a Nijinski triple bill tomorrow, [illegible] Fri, Sat and next Mon. The next production is a Roland Petit evening, first night March 9 (4742 5371)

Salle Pleyel Semyon Bychkov conducts Orchestre de Paris on Wed and Thurs in works by Berio and Berlioz, with vocal ensemble Electric Phoenix (4561 0630)

Théâtre des Champs-Elysées Stephen Kovacevich plays Beethoven piano sonatas on Sun morning (4952 5050)

THEATRE

■ Hamlet: Shakespeare's play, directed by Georges Lavaudant, is the latest addition to the repertory of the Comédie Française (4015 0015)

■ Children of the Sun (Les Estivants): Maxim [illegible] pre-revolutionary drama is directed by Lluis Pasqual at Odeon-Théâtre de l'Europe. Final week (4441 3636)

● Happy Days: the Samuel Beckett masterwork in which Winnie (Denise Gence) is gradually buried up to her neck in sand - one [illegible] Beckett's metaphors for the inescapable traps of life. Till March 6 at Théâtre national de la Colline (4366 4360)

ARTS GUIDE

Monday: Berlin, New York and Paris.
[illegible]: [illegible]ustria, Belgium, [illegible] Switzerland, Chicago, Washington.
Wednesday: France, Germany, [illegible]
Thursday: Italy, Spain, Athens, London, Prague.
Friday: [illegible] Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT [illegible] Today [illegible] FT [illegible] Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports [illegible]

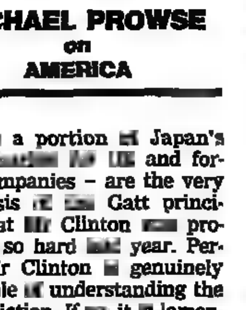
TUESDAY
Euronews: FT [illegible] 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT [illegible] 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky [illegible] FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky [illegible] FT Reports 0430, [illegible]

A Prussian in the White House



MICHAEL PROWSE on AMERICA

Bill Clinton faces a [illegible] ing decision. Should he and his general staff (the White House National Economic Council) wear [illegible] fatigues? Or would it make more [illegible] tracksuits emblazoned "Team USA"?

Frankly, I don't think it matters a great deal. For [illegible] wars with Japan, I would recommend army uniforms with lashings of gold braid. I would give Robert Rubin, the NEC director, a military rank and award campaign [illegible] to [illegible] who devise particularly ingenious trade sanctions.

I would [illegible] the Team USA tracksuits for more routine tasks, such as presidential lobbying [illegible] behalf of corporate America. Last week, Mr Clinton [illegible] aircraft [illegible] with [illegible] Arabia [illegible] a "gold [illegible] win for [illegible] and workers". He [illegible] too modest. Having bombarded King [illegible] with [illegible] and phone [illegible] – [illegible] having [illegible] secretary [illegible] state Warren Christopher [illegible] Riyadh [illegible] plead for business – Mr Clinton [illegible] the medal himself.

The US is in its third year [illegible] a [illegible] economic recovery. Business investment and productivity are soaring. The US share of foreign markets is up sharply. The budget and trade [illegible] reduced. Unemployment has [illegible] sharply, [illegible] 7 per [illegible] Europe [illegible] Japan, by contrast, are floundering in recession. In the circum[illegible], [illegible] might expect [illegible] House to [illegible] relaxed, [illegible] magnanimous.

Instead, Mr Clinton [illegible] his [illegible] advisers are behaving like economic delinquents. In December, Mr Clinton hailed [illegible] merits of [illegible] Uruguay Round, which promises [illegible] deregulate agriculture and finan[illegible] services, [illegible] in which [illegible] highly competitive. As a "[illegible] democrat" he [illegible] all for [illegible] trade liber[illegible] under the [illegible].

[illegible] two [illegible], he solemnly chastises Mr Mori[illegible] Hosokawa, Japan's [illegible] prime [illegible] for refusing to accept numerical targets for import growth in selected industrial sectors. Such targets – essentially a government [illegible] to [illegible] a portion [illegible] Japan's home [illegible] and foreign companies – are the very antithesis [illegible] Gatt princi[illegible] that Mr Clinton [illegible] promoting so hard [illegible] year. Per[illegible] Mr Clinton [illegible] genuinely incapable [illegible] understanding the contradiction. If [illegible], it [illegible] lamen[illegible] that economically [illegible] senior [illegible] – including Larry Summers [illegible] the Treasury – [illegible] play [illegible] charade.

US officials, [illegible] claim they [illegible] not demanding numerical targets. All they want [illegible] quantitative benchmarks to [illegible] in opening Japanese markets. This [illegible] spurious [illegible] medal-winning dimensions. [illegible] not [illegible] though Japanese [illegible] fig[illegible] a [illegible] quanti[illegible] of [illegible] in opening specific [illegible] always [illegible] readily available.

In [illegible] as a [illegible] of a multilateral system, [illegible] simply [illegible] no [illegible] judge [illegible] jury [illegible] Japanese trade practices. To put US behaviour in perspective, sup[illegible] analysed [illegible] wine consumption and found [illegible] unfair [illegible] in favour of inferior Californian brands. Would Mr [illegible] be happy if [illegible] Mitterrand unilaterally [illegible] a numerical target for increased US imports [illegible] French Burgundy? Of course not: he would instantly condemn such bully-boy [illegible].

The obsession with [illegible] Japanese bilateral imbalance [illegible] even more fatuous. [illegible] House [illegible] impenetrable [illegible] the false impression that Japan buys virtually nothing from the US. In reality, US exports to Japan [illegible] last [illegible], [illegible] it America's second [illegible] important [illegible]. The [illegible] deficit [illegible] is declining [illegible] to US national [illegible].

But [illegible] if it were rising, it would signify nothing. Surely Mr Clinton's high-powered eco[illegible] advisers have not forgotten the very first lesson [illegible] economics: [illegible] is benefi[illegible] it facilitates specialisation and division of labour. The last thing we should expect or want is [illegible] anced trade [illegible] pair [illegible] countries.

The [illegible] gloating [illegible] in which Mr Clinton (with Mr Christopher dutifully in attendance) announced his trade [illegible] with King Fahd [illegible] particularly disturbing. Nobody [illegible] deny that political [illegible] in other countries have sought [illegible] favours. But in past years, transgressions by smaller countries were comparatively unimportant because US commitment [illegible] market principles guaranteed [illegible] survival of a liberal [illegible] trading [illegible]. [illegible] the boundaries [illegible] government [illegible] begin [illegible] blur in [illegible] world's biggest [illegible], the [illegible] indeed grim. [illegible] and Japanese [illegible] certain [illegible] respond by redoubl[illegible] their [illegible] on behalf [illegible] their [illegible] champions.

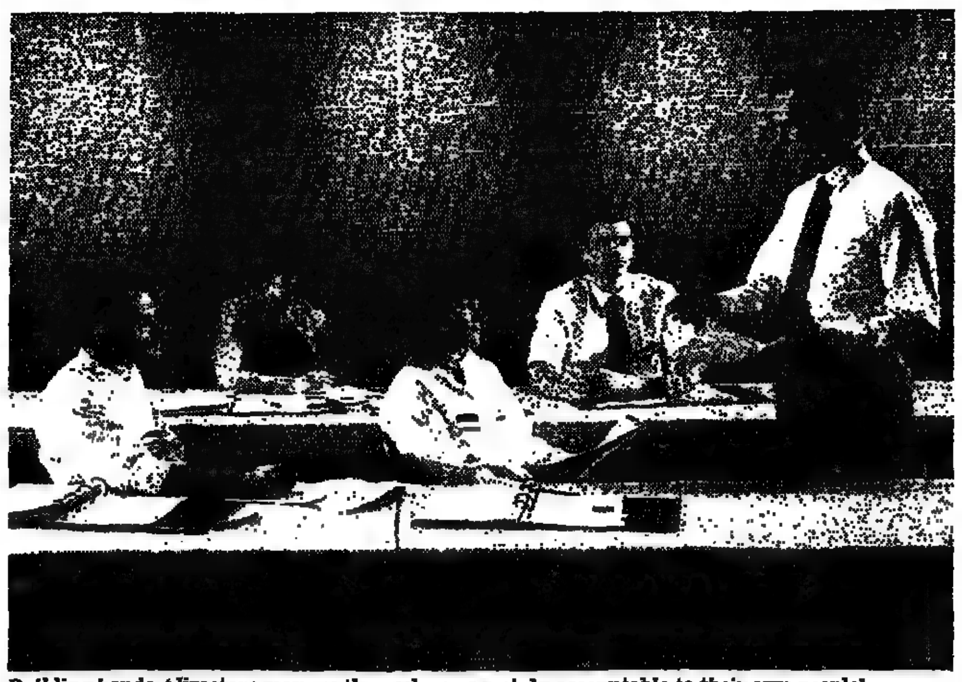
For 200 [illegible] quite [illegible] tinct capitalist philosophies have vied [illegible]. The first is [illegible] English concept (not always respected by Brit[illegible] governments) [illegible] genuinely [illegible] competition in which governments keep [illegible] pitch [illegible] companies [illegible] solely on [illegible] basis [illegible] commercial merit. The second is [illegible] corporatist state – [illegible] perfected by 19th century Prussia – in which government [illegible] of [illegible] business in [illegible] "economic war" against other nations.

Sadly, Mr Clinton seems to be leaning in [illegible] Prussian [illegible]. No true market lib[illegible] brag [illegible] winning [illegible] for businessmen, [illegible] unilateral targets for another nation's imports, [illegible] pour taxpayers' funds [illegible] a domestic industrial policy. [illegible] Mr [illegible] is [illegible] all of this – and [illegible]. He believes [illegible] US is in a race with Japan and the European Union [illegible] in [illegible] 21st century, and he intends [illegible] take the gold. We [illegible] seeing the ugly face [illegible] eco[illegible].

PERSONAL VIEW

Tender loving care for better workers

The company of the future will put more emphasis on looking after human assets, says Charles Handy



Building bonds: 'directors may see themselves as mainly accountable to their own people'

[illegible] will be the shape of tomorrow's companies? Almost certainly they will look and feel [illegible] different from today. If they [illegible] not Britain's competi[illegible] will surely sink. The 1993 world competitiveness survey by the World Economic Forum put Britain 16th out [illegible] 22 countries, with particularly low scores for innovation, [illegible] ence and technology, management and people – precisely the [illegible] needed in a constantly changing world and when applied intelligence [illegible] the main [illegible] of future wealth.

For one thing, companies will be much smaller: "½ x 2 x 3" [illegible] becoming the [illegible] formula for [illegible] who [illegible] to remain competitive in an interconnected world – half [illegible] many people, paid twice [illegible] well (because they keep [illegible] best), producing [illegible] much [illegible] value. Then repeat [illegible] it is [illegible] – an [illegible] per [illegible] company's [illegible] do not [illegible] value. [illegible] longer [illegible] so [illegible] people [illegible] things happen. Those [illegible] become crucial [illegible] capital.

[illegible] will not, however, [illegible] to define [illegible] many companies. They will [illegible] a web [illegible] alliances, joint projects, arrangements and pacts. More risks will be shared. Companies will have centres but rather than head offices they will [illegible] designed [illegible] principle [illegible] "reverse delegation" with [illegible] only doing [illegible] parts on their [illegible] they, therefore, [illegible]. Companies will [illegible] erations [illegible] pieces, joined together in [illegible] different purposes.

As a result, [illegible] will [illegible] increasingly difficult [illegible] shareholders to know [illegible] they [illegible] buying into, or to what sort of risks they [illegible] exposed. It will [illegible] all the more difficult because the real assets of the business, the intellectual assets, will still be largely unquantifiable, unless accountancy groups come up with new measures.

In the best businesses today [illegible] market [illegible] of the [illegible] ness is [illegible] times the [illegible] and, in a good manufacturing company, [illegible] be more than 10 per cent of the product price. [illegible] leaves lots of unmeasured [illegible]. Share[illegible] will be more careful [illegible] long-term [illegible] and more likely [illegible] some [illegible] today [illegible] than possibly more [illegible] later.

Contrary, therefore, [illegible] prescriptions [illegible], [illegible] see companies edging [illegible] from shareholders in [illegible] give more emphasis [illegible] long-term [illegible] business. Directors [illegible] themselves [illegible] mainly [illegible] to their own people [illegible] have a [illegible] incentive to build a [illegible] future. To put it another way, when human capital [illegible] important [illegible] financial capital, [illegible] will be [illegible] human capital which calls [illegible] tunes. This may [illegible] a gradual change [illegible] be profound.

In [illegible] end, the driving motive for [illegible] senior [illegible] to build a sustainable enterprise. [illegible] to recognise their [illegible] ability to human capital, com[illegible] will look [illegible] ways to turn key people [illegible] quasi-partners. Some will hope [illegible] do that by more [illegible]. But ultimately partnership means money, not [illegible]. [illegible] is likely to [illegible] option [illegible] which are a [illegible] betting, but genuine [illegible] ownership, perhaps with double voting rights as in [illegible] continental companies, and [illegible] in [illegible] year's added value. This will not be primarily an incentive for employees, rather will it be an expression of their membership rights.

Some companies [illegible] to venture further down this membership route, limiting voting rights to large investors (owning more than 1 per cent, perhaps) or to their own people. It will always be a [illegible] experiment, however, for [illegible] alienating [illegible] wider market which will [illegible] see [illegible] rights [illegible] too far. The formal aim of the company [illegible] still [illegible] as [illegible] has [illegible] been: "to add value". But value would no longer be determined solely by the price [illegible] the shares, [illegible] by [illegible] measures of the long-term health of the business – measures which would be more relevant to the membership than to temporary, [illegible].

To continue to add ever more value, companies will have [illegible] be "inclusive", building long-term relationships [illegible] customers, suppliers and the community. [illegible] all [illegible] would then pull in one [illegible] – the sustainable [illegible] of [illegible] business.

Tomorrow's companies will [illegible] all this because they will [illegible] – [illegible] ideological [illegible]. If they [illegible] people [illegible] partners and members, [illegible] people – [illegible] talents provide [illegible] of the [illegible] – [illegible] treat the [illegible] as a stepping-stone.

[illegible] the [illegible] membership, companies will have [illegible] make [illegible] with "actor career" characters hired for projects or [illegible] short-term [illegible] and moving [illegible] to other companies [illegible] the [illegible] or [illegible] end. The [illegible] is said to change jobs [illegible] times [illegible] a career. Modern Britain may not be far [illegible]. A [illegible] bodes ill [illegible]. [illegible] Schumpeter predicted that capitalism would fail when it ceased [illegible] draw on any sense of "moral allegiance". Britain [illegible] that danger now.

"Actors' [illegible]" and individualist tracks also put the onus on the individual [illegible] manage his or her life. If they choose [illegible] rent themselves to a company, the company will milk them. If the individuals do not like the milking they can always leave – or ask for [illegible] stay. That way the "½ x [illegible] 3" formula translates as half as [illegible] people paid twice [illegible] well [illegible] *work* three times as long. "24-7's" [illegible] a day, [illegible] days a [illegible] they call them in [illegible] Angeles. More accurately, they [illegible] cramming the 100,000 [illegible] of a normal working life into 25 years instead of [illegible] which [illegible] for 75-hour [illegible] and burn-out at [illegible].

Milking [illegible] that [illegible] only short-term [illegible]. Work can become addictive, until we [illegible] ourselves in our busy-ness. But boring people are wasting assets and addicted people lose perspective. A membership [illegible] a company to [illegible] care [illegible] invest in them [illegible] work them, to [illegible] educational [illegible] and sabbaticals, maternity/paternity breaks, to [illegible] people to organise [illegible] of their [illegible] ways, and [illegible] respect part-time [illegible] and expertise [illegible] energy. If they do not, companies may find that they [illegible] squeezing [illegible] men, who [illegible] balanced [illegible].

The [illegible] membership is [illegible] the life-time employment [illegible] Japan, for [illegible] can be ended by [illegible] party, [illegible] is edging [illegible] way. The [illegible] of a more [illegible] the temporary investor [illegible] not [illegible] full continental European model, but it [illegible] same vibrations.

Meanwhile [illegible] Japanese and continental Europeans [illegible] gradually loosening their mod[illegible] capital market, becoming [illegible] Anglo-American examples. In an increasingly interconnected world, evolutionary theory [illegible] species tend to converge, while [illegible] ing [illegible] plumages. Given where [illegible] UK is starting from, [illegible] us no harm to give [illegible] a push.

The author is visiting professor at London Business School. His new book, The Empty Raincoat, is published by [illegible] (£12.99)

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 [illegible] 5938. Letters transmitted should [illegible] clearly typed [illegible] not hand written. [illegible] fax [illegible] finest resolution

Ageist attitude will deter best brains

From M J [illegible]

Sir, [illegible] reference [illegible] John Major's [illegible] to [illegible] brains [illegible] industry ("PM [illegible] top [illegible] industry", February 12-13), [illegible] anyone really [illegible] having a working life [illegible] only [illegible] years? Assuming the [illegible] graduates, they will not [illegible] industry until they are 21. Judging by [illegible] job advertisements, [illegible] recruiting practices, they will not [illegible] employable after [illegible] of [illegible]. Effectively they [illegible] enough in 25 [illegible] keep themselves for the [illegible] 30 [illegible]. Is [illegible] really an [illegible] tive proposition? Until industry changes its [illegible] attitude, it [illegible] not [illegible].

[illegible] J Feinson,
11 Seagry Road,
London E11 2NG

BAe set the standard for winning defence contracts

From Dr [illegible] C [illegible] Dixon.

Sir, Your [illegible] "BAe shareholders weigh [illegible] guard's power" (February 14), [illegible] in dwelling on the need "to wean" [illegible] "operating chiefs" [illegible] British Aero[illegible] "from their old cost plus ways". As one [illegible] held [illegible] positions for a number of years in that [illegible] I [illegible] the record straight.

It was the former Hawker Siddeley Aviation and British Aircraft Corporation that [illegible] combined through nationalisation [illegible] to form British Aerospace. In [illegible] early [illegible] Siddeley management had launched the [illegible] fighter trainer aircraft having won the project through competitive tender run by the Ministry of Defence. The Hawk [illegible] was fixed price, covering both the [illegible] opment of the [illegible] the supply [illegible] the first production batches. Meanwhile, the management of BAC had entered the Anglo-French Jaguar and tri-national [illegible] collaborative aircraft programmes at a time when collaboration was both unproven and [illegible] in certain [illegible].

Those policies [illegible] programmes predated British Aerospace but [illegible] foundations [illegible] successes [illegible] the company throughout [illegible] and up [illegible] the present day. [illegible] management [illegible] only [illegible] products [illegible] Royal Air [illegible] but leveraged [illegible] pro[illegible] win a [illegible] highly successful export orders, none [illegible] was [illegible] plus. The UK defence equipment industry, including GEC Marconi, would not [illegible] in [illegible] position it [illegible] today [illegible] British Aerospace defence [illegible] not [illegible] those orders.

Whatever [illegible] causes of BAe's problems [illegible] recent years, management [illegible] its defence [illegible] not one [illegible] them. The management team [illegible] comparable, [illegible] more, experience in [illegible] management of substantial fixed price [illegible] any [illegible] major UK company.

[illegible] C S Dixon,
chief executive,
Simon Engineering,
[illegible] Hall Lane,
Stockport, [illegible]

Age structure not least of Irish economic problems

From Dr [illegible] and [illegible]

Sir, Dr Garret Fitzgerald, (Personal View, February 15) in [illegible] positive [illegible] on the [illegible] population as the [illegible] on raising living [illegible] dards, [illegible] Ireland [illegible] a productivity/competitiveness problem as marked [illegible] this.

While low living [illegible] in Ireland are largely a function [illegible] small proportion [illegible] the population in employment, this [illegible] only partly [illegible] by the greater proportion [illegible] young people [illegible] the Irish population. In [illegible] just [illegible] half [illegible] Irish population [illegible] working [illegible] in employment, but in [illegible] UK [illegible] proportion [illegible] per [illegible]. [illegible] a long-run [illegible] a sufficiently large industrial [illegible] this [illegible] of competitiveness.

In [illegible] the [illegible] performance [illegible] domestically owned firms [illegible] by the very rapid growth [illegible] foreign-owned manufacturing [illegible]. [illegible] study of Irish indigenous [illegible] prises in [illegible] such as [illegible] ing, transport, energy, tourism and [illegible] indicates that productivity levels [illegible] substantially lower than [illegible] in the UK. Irish products [illegible] frequently uncompetitive with respect [illegible] price [illegible] non-price characteristics.

The [illegible] in [illegible] domestic product [illegible] indeed been rapid during [illegible] but it [illegible] usually accepted [illegible] a [illegible] indicator [illegible] Irish population's material well-being because [illegible] the burgeoning [illegible] profit and [illegible] payments [illegible] the heavy reliance [illegible] international firms). GNP per capita remains only two-thirds [illegible] the UK aver[illegible].

Dr Fitzgerald [illegible] five [illegible] but when a longer time perspective (eg, [illegible] 30 [illegible] years) [illegible] it [illegible] usually [illegible] concluded [illegible] the rate of "catch up" [illegible] the [illegible] capita in [illegible] UK [illegible] elsewhere is [illegible] than [illegible] which [illegible] reasonably expected. Past performance [illegible] there is more wrong with [illegible] Irish [illegible] than simply a delayed transition [illegible] birth rates.

[illegible] Hitchens,
Esmond Birnie,
Department of Economics,
[illegible] Queen's University,
[illegible] BT7 [illegible]

Mitigating mortgage risks

From Mr Malcolm P Basing.

Sir, I [illegible] with [illegible] Barry Riley's article, "Yielding no quarter" (February 12-13), which discussed [illegible] problems in managing [illegible] risks inherent in meeting the demand [illegible] fixed rate mortgages from a floating rate funding base. I was surprised that [illegible] mention was [illegible] the modern risk management techniques avail[illegible] mitigate [illegible] control such risks, in particular derivatives. This omission is all the more surprising [illegible] building societies are already extensive users of such instruments.

Malcolm P Basing,
president,
Swiss Bank Corporation (Canada),
Suite 780, PO Box 103,
207 Queen's Quay West,
Toronto, Ontario M5J 1A7,
Canada

UK's use of the democratic system going wrong somewhere

From [illegible]

Sir, As is common to most of those [illegible] bemoan the [illegible] "steady, purposive and highly effective destruction of local democracy", Joe Rogaly ("Dustbin-lids [illegible] the fore", February 15) omits [illegible] mention that [illegible] government [illegible] for [illegible] just [illegible] unaccountable as central government. In [illegible] light [illegible] end result [illegible] much more important than the [illegible] by [illegible] it is [illegible].

Hence [illegible] "pretty picture" which Mr Rogaly [illegible] is conveyed by [illegible] mandarins, of [illegible] run by school [illegible] and [illegible] hospitals run by hospital trusts is far more than superficially appealing to [illegible] consumers involved.

In many historically Labour-controlled areas there [illegible] a justified feeling [illegible] disenfranchisement among non-Labour voters. This feeling [illegible] now in danger of taking [illegible] at national level [illegible] those who [illegible] not vote for the pres[illegible] government.

Democracy, or our use of it, is going wrong somewhere, but whether this is the failure [illegible] the [illegible] in a structural [illegible] or [illegible] from the inadequacy of politicians [illegible] present viable alternatives to their electorate is open to [illegible].

D H Biesterfield,
[illegible] Kenton Road,
Gosforth,
Newcastle [illegible] Tyne NE3 [illegible]

FINANCIAL TIMES

Number One Southwark Brid[redacted] London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Monday February 21 1994

End-game on enlargement

Today in Brussels, negotiations on admitting four [redacted] members to the European Union enter what should be their final lap. Foreign ministers from the 12 existing members and [redacted] four would-be entrants – Sweden, Norway, Finland and Austria – have every incentive [redacted] make [redacted] round conclusive. If [redacted] talks [redacted] not [redacted] decisive progress in the next week, *it* [redacted] *be difficult*, if not impossible, [redacted] the four applicants [redacted] hold [redacted] planned ratification referendums and join by [redacted] target [redacted] January [redacted] As important, the [redacted] enlargement [redacted] momentum. [redacted] result would be further damage to [redacted] EU's battered effectiveness [redacted] self-esteem – [redacted] further delay [redacted] equally pressing question [redacted] bringing [redacted] market [redacted] of [redacted] tral Europe.

Fortunately, the hopes for [redacted] breakthrough [redacted] now [redacted] time [redacted] the negotiations were seriously joined last year. [redacted] opinion is moving in [redacted] of entry [redacted] in [redacted] sceptical [redacted] country, Norway. Oppo[redacted] the [redacted] problems still [redacted] be resolved – agriculture [redacted] the budget – [redacted] be softening, [redacted] by figures from [redacted] European [redacted] indicating [redacted] their [redacted] contributions [redacted] Union budget will [redacted] more [redacted] than previously thought.

It is [redacted] soon [redacted] celebrate, how[redacted] The EU's bargaining position could yet be thrown [redacted] confu[redacted] by additional budgetary demands from [redacted] led by Spain.

The issues of how to align [redacted] applicant countries' farm protection regimes with [redacted] Common Agricultural Policy, and how to [redacted] farmers [redacted] stand to [redacted] in [redacted] process, still present *obstacles that will only be surmounted* with [redacted] thinking from both sides.

Volatile electorates

The challenge is to produce *enlargement agreements attrac*[redacted] enough to [redacted] acceptance by the [redacted] electorates [redacted] the four [redacted] without destabilising the delicate web of budgetary and other agreements between the existing 12. Even on agriculture, [redacted] *Finland, Austria and Nor*way currently guarantee their farmers prices 25 to 100 per [redacted] higher [redacted] under the CAP, [redacted] should not be beyond the negotiators.

The EU's proposal, for [redacted] "big bang" realignment [redacted] prices, com[redacted] through direct payments to farmers threatened with [redacted] The alternative – a phased transition, *during which price* [redacted] would be [redacted] out with border [redacted] prolonged uncertainty, [redacted] sin[redacted] market, and further compli[redacted] problematic [redacted] CAP reform. What [redacted] more, the EU [redacted] *applicant* [redacted] ments powerful ammunition with [redacted] to [redacted] agreement [redacted] voters, [redacted] form [redacted] sharply [redacted] prices for consumers.

Frozen north

Their [redacted] problem [redacted] how to [redacted] with their seriously [redacted] – [redacted] who toil in the frozen north and on Alpine pastures. Understandably perhaps, [redacted] are balking [redacted] that they [redacted] compensation payments [redacted] they want [redacted] in doing [redacted] from the Union, [redacted] well [redacted] for [redacted] poorer [redacted] under EU regional funds. This [redacted] the haggling [redacted] the [redacted] days, with Spain [redacted] southern [redacted] pushing a hard [redacted] on [redacted] regional [redacted] and [redacted] EU governments withholding budgetary [redacted] until [redacted] possible [redacted]

While most [redacted] Spain's demands can [redacted] predictable special pleading, [redacted] EU [redacted] whole is wise to adopt a hard-nosed approach on [redacted] budget. The [redacted] seeking [redacted] ship are all at the upper end of the EU's [redacted] and, if they *choose for cultural*, [redacted] or [redacted] reasons to subsidise agri[redacted] in regions [redacted] it is manifestly unprofitable, they should [redacted] towards those [redacted] from their national exchequers, subject [redacted] EU [redacted] Equally, it [redacted] *strongly in the EU's interests to* [redacted] brisk [redacted] the [redacted] so turns [redacted] to involve a [redacted] top-up for such national [redacted] tance, [redacted] be [redacted] perable [redacted] reaching [redacted] *final agreement.*

Selling the railways

The privatisation of British [redacted] moving into [redacted] implementation stage. After the furore in parliament [redacted] legislation, the government's ambitious plans [redacted] pri[redacted] the railways are now being put [redacted] effect. A new industrial sector [redacted] and financed to operate [redacted] privatised rail network.

The privatisation of passenger rail services as [redacted] rail [redacted] companies will present early opportunities [redacted] private [redacted] The [redacted] to be put [redacted] tender, the Gatwick Express [redacted] London and [redacted] airport, [redacted] already running as [redacted] shadow franchise under the existing management. Later this year, the franchise [redacted] running [redacted] line will [redacted] put [redacted]

[redacted] franchises will [redacted] established in April, in preparation for tendering early [redacted] routes, [redacted] will [redacted] *encouraged* [redacted] management buyouts. At the same time as passenger [redacted] privatised, [redacted] parts [redacted] British Rail will [redacted] prepared for sale.

[redacted] freight operations and the three [redacted] that will [redacted] rolling [redacted] to the operating companies. [redacted] maintenance operations are [redacted] priva[redacted] as more than a [redacted] competing companies. And Railtrack, [redacted] organisation created to run [redacted] rail infrastructure, will [redacted] responsibility for [redacted] network [redacted] April.

The success [redacted] rail privatisation, however, will be judged by the [redacted] brings [redacted] passengers. Ensuring that the customer sees real improvements in [redacted] *requires* [redacted] *emergence of compet*[redacted] and entrepreneurial rail operators. [redacted] thinking about entering this new market – [redacted] providing [redacted] for it – will [redacted] convinced that [redacted] profit[redacted] opportunities.

Charges

[redacted] must [redacted] grounds [redacted] cern, [redacted] over the charges that operators will [redacted] to pay [redacted] using the railway network. The charges *will rightly reflect* the operating costs of Railtrack on the routes covered by each franchise. [redacted] include track maintenance, signalling costs, depot charges and [redacted] cost [redacted] electricity. Amazingly, some [redacted] were not allocated to particular lines under [redacted] internal accounting system. But the charges also reflect [redacted] Treasury target that Railtrack should make [redacted] 5.6 per cent return on its assets, valued [redacted] around £6.5bn. The rate of return will [redacted] to 8 per [redacted] within four years.

Tight target

This [redacted] excessively tight. An [redacted] per cent [redacted] return [redacted] unnecessarily steep for [redacted] is essentially a utility. [redacted] the value put on the assets, [redacted] can plausibly [redacted] argued that [redacted] should [redacted] much higher than [redacted] still owns [redacted] lot [redacted] land in inner-city [redacted] *Alternatively*, it might [redacted] much [redacted] given [redacted] age [redacted] much [redacted] track, signalling [redacted] stations [redacted] their run-down [redacted]

What [redacted] clear is [redacted] applying such [redacted] high [redacted] of return [redacted] this [redacted] value will [redacted] around [redacted] the [redacted] that rail operators must pay. Bumping up charges in this way could lead [redacted] rail network being [redacted] inefficiently [redacted] much [redacted] than capacity. It will [redacted] mean that [redacted] the franchises will [redacted] profitable without public subsidy. [redacted] merry-go-round in which [redacted] nue extracted by the Treasury from [redacted] must [redacted] paid [redacted] in [redacted] rail operators [redacted] pay higher-than-necessary track [redacted]

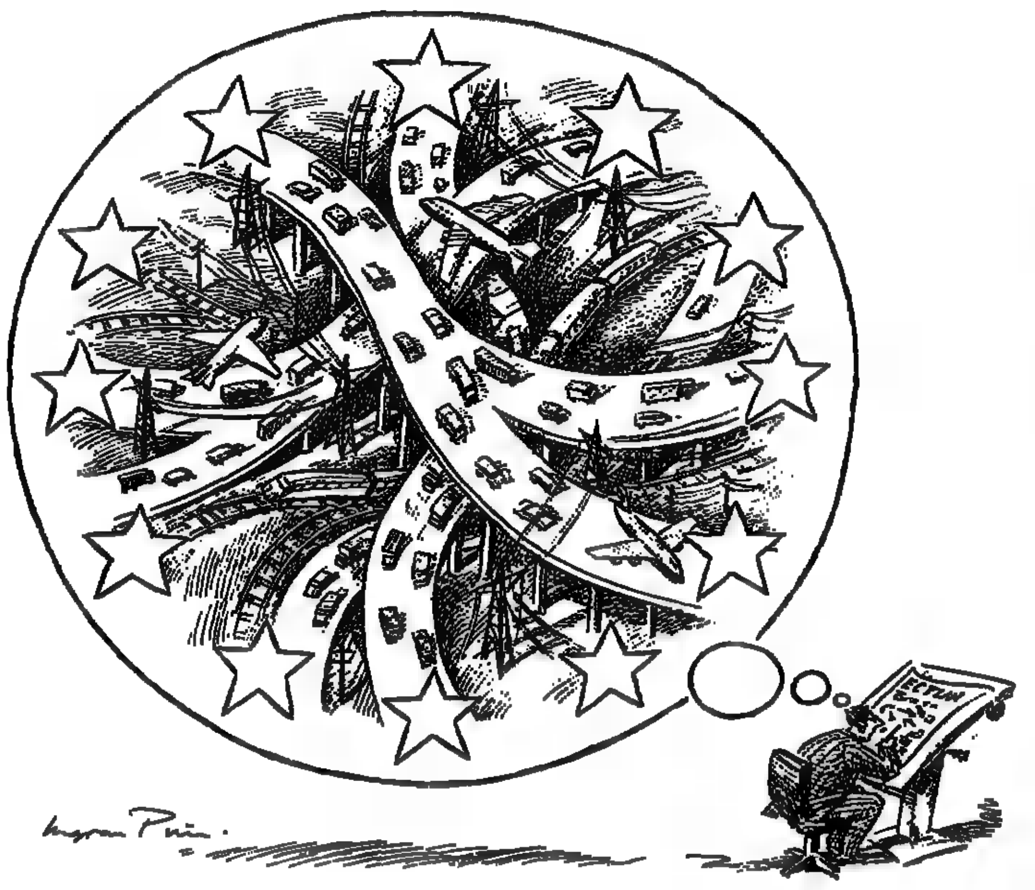
The aim of these arrangements [redacted] concentrate public subsidy for passenger services on one part of the system – the rail operators. The operator can, of course, still [redacted] profit while receiving a subsidy, by maximising revenues and efficiency.

However, businesses thinking about entering this new market may find the prospect of relying [redacted] Treasury subsidies [redacted] the duration of a franchise less than appetising. This will be especially the case if the government agrees to franchise periods as long as 15 years to encourage operators to [redacted] in new rolling [redacted]

The arrangements [redacted] setting Railtrack's charges [redacted] likely to reduce [redacted] attractiveness [redacted] investment opportunities in [redacted] operations. Given [redacted] to [redacted] into this new sector, [redacted] cannot [redacted] an [redacted] that [redacted] welcome [redacted] supporters of privatisation.

Hugo Dixon on European Union plans for pan-continental networks to give the single market an infrastructure backbone

Super-highways sans frontières



I[redacted] the European Commission has a big idea [redacted] days, it is *trans-European networks*. The bruising struggle to ratify the Maastricht treaty and the near-collapse [redacted] exchange rate mechanism [redacted] may have knocked monetary union off course. But across Brussels, dozens [redacted] Euro[redacted] *beavering* [redacted] the next ambitious programme for European integration: a plan [redacted] develop transport, [redacted] and telecommunications [redacted] spanning [redacted] continent.

The initiative was launched [redacted] *much fanfare* last December by Commission president Jacques Delors. His white paper on Europe's competitiveness listed a large number [redacted] new railway, road, [redacted] munications, [redacted] electricity, airport [redacted] port projects [redacted] would knit Europe's *far-flung regions* [redacted] core of the European Union, and provide an [redacted] for [redacted] single market. The networks would [redacted] beyond the Union into European Free Trade Association countries [redacted] Europe.

The programme's total [redacted] put [redacted] by the [redacted] the century. [redacted] this, Ecu220bn would be for transport projects, Ecu150bn for [redacted] and Ecu30bn [redacted]

[redacted] at [redacted] Brus[redacted] *summit* [redacted] qualified go-ahead. They approved the overall thrust, but not specific details – in particular Commission plans for financing the programme.

Now the Commission's challenge is to refine its plans and win over the doubters. A crucial role will be played by Mr Henning Christopher[redacted] commissioner, [redacted] will today chair the [redacted] meeting [redacted] consisting [redacted] high-level [redacted] from [redacted] member [redacted] The group will hear [redacted] Commission ideas on [redacted] initia[redacted] financed. [redacted] will also [redacted] transport and [redacted] projects should receive priority.

A parallel taskforce, consisting [redacted] users, [redacted] tors and manufacturers, [redacted] being [redacted] by [redacted] Martin Bangemann, the industry [redacted] will [redacted] an advanced telecom[redacted] infrastructure – which [redacted] needed if, [redacted] "teleworking" from home [redacted] to [redacted] much more common – can [redacted] developed. The Commission [redacted] that Europe does [redacted] *fall behind* the US, where [redacted] Clinton [redacted] tion is trying to encourage the construction of such "information superhighways".

Meanwhile, officials from more than half [redacted] *directorates are working on detailed* aspects of the trans-European networks initiative. Both the Christophersen and Bangemann groups will present progress reports to the next European summit in Corfu in June.

[redacted] *reason the initiative was* launched was belief in [redacted] European businesses and consumers are [redacted] net[redacted] have developed [redacted] national [redacted] than transnational lines. [redacted] designed [redacted] satisfy the [redacted] nation *states of the* 19th century," [redacted] Mr Christophersen.

There are many examples of what Commission [redacted] see as [redacted] lies: *cross-border phone calls cost* three times as much as domestic calls of a similar distance; air travellers can [redacted] long delays [redacted] poorly co-ordinated national air traffic control systems cannot handle as many flights as a single uni[redacted] system; Italian lorries thunder through the Rhine Valley on their way [redacted] Italy's ports [redacted] not modern enough; and [redacted] are as yet no high-speed rail links between national capitals.

Enthusiasm in [redacted] one thing; winning [redacted] support – and finance – from member states is quite another. The general [redacted] fragmented [redacted] damage Europe's competitiveness [redacted] widespread acceptance. That [redacted] why an article was written into the [redacted] treaty giving [redacted] authority [redacted] draw [redacted] proposals for trans-European [redacted] *and promote their development.*

But [redacted] is still much [redacted] about [redacted] questions. Are all the projects identified by the Commission really necessary? Will [redacted] Union [redacted] to [redacted] the [redacted] works or can investment be left to member [redacted] and private compa[redacted] Will [redacted] develop [redacted] and more efficiently [redacted] tional national monopolies in telecommunications, energy and transport are abolished?

Doubts over the list of projects stem largely from the way they have been chosen. The Commission asked member states to propose candidates and then collated the suggestions into master plans. But because favoured projects may qualify for EU subsidies, each government had an incentive to get as many of its national projects as possible included.

The initiative is viewed in some quarters as the next European gravy train. "It is about money," admits a transport official in one member state.

The Commission is anxious that Europe does not fall behind the US and its 'information superhighways'

This explains why [redacted] programme's [redacted] reached [redacted] staggering Ecu400bn. [redacted] also explains why the list [redacted] projects which appear [redacted] be [redacted] mainly national, [redacted] than pan-European, benefit. For example, [redacted] plan for trans-European [redacted] – consisting of 55,000km of roads, 12,000km of [redacted] motorways – [redacted] largely an amalgamation [redacted] existing national road plans.

Officials [redacted] that, [redacted] when infrastructure is [redacted] sin[redacted] state, it [redacted] be [redacted] European [redacted] reasons:

■ Spill-over [redacted] example, [redacted] an [redacted] in motorways *being built* [redacted] and Wales so its traffic can have [redacted] Channel tunnel. Equally, [redacted] planned railway from Rotterdam [redacted] the [redacted] with Germany will be more profitable if Ger[redacted] continues [redacted] into its industrial Ruhr region.

■ Incompatible standards. For example, [redacted] travelling from Sweden [redacted] Denmark [redacted] a different electricity system. Similarly, many [redacted] munications services such [redacted] tronic mail [redacted] not interconnect smoothly [redacted] borders.

The Commission believes it can *play a useful role in co-ordinating* investment [redacted] across frontiers. One way of achieving this could be for the Commission to hold round-table discussions for particular projects to identify what is stopping them [redacted] ahead. The Commis[redacted] *would then* [redacted] to [redacted] the [redacted]

[redacted] prime candidate would be [redacted] traffic control, [redacted] Mr Robert Coleman, head [redacted] the [redacted] air-traffic controllers have been dis[redacted] *harmonising* [redacted] *systems* for [redacted] The new powers in the [redacted] would allow [redacted] minis[redacted] to vote [redacted] common approach and then make it [redacted]

Mr Christophersen [redacted] that not [redacted] project in the overall pro[redacted] equally important. [redacted] he [redacted] Commission [redacted] already [redacted] preliminary [redacted] of priority projects which [redacted] only Ecu160bn. His [redacted] will further refine priorities.

Examples of [redacted] priority projects include: high-speed rail links [redacted] London, Paris, [redacted] Cologne and Amsterdam [redacted] cost [redacted] Ecu8.5bn; a motorway from Berlin [redacted] via [redacted] Ecu3.2bn; and a [redacted] air-port costing Ecu2bn.

Even if agreement is [redacted] on priorities, [redacted] financing [redacted] new [redacted] will remain controversial. In his [redacted] Mr [redacted] argued that the Union [redacted] to provide Ecu20bn a year in subsi[redacted]

[redacted] *this, Ecu5bn would come* [redacted] Union's [redacted] and structural funds. [redacted] channel aid [redacted] Europe's poorest regions and coun[redacted] in particular, Spain, Portugal, Greece [redacted] Ireland. This money has already [redacted] earmarked in the Union's budget.

[redacted] further Ecu7bn, Mr Delors suggested, could [redacted] raised by loans from [redacted] European Investment Bank. The final Ecu8bn would [redacted] raised [redacted] financial markets by the Commission and then lent to [redacted] companies.

This last proposal, for what were dubbed "Union Bonds", caused [redacted] controversy at the Brussels summit. Germany and the UK criticised it on [redacted] grounds that borrowing by the Commission would offer governments [redacted] route to [redacted] public expenditure disciplines.

The critics were *also* [redacted] the [redacted] AAA [redacted] in financial markets might be damaged if it made large loans to countries with poorer credit ratings, such as Greece and Italy. They said that, if more money for infrastructure [redacted] needed, it [redacted] come from [redacted] EIB which [redacted] track record in project [redacted]

Abolishing monopolies would allow private investment to flow into infrastructure projects

[redacted] objections have [redacted] Commission [redacted] a [redacted] Mr Christophersen [redacted] Union [redacted] are just one of several financial instruments that [redacted] infrastructure [redacted]

Mr Enrico [redacted] *of the Com*mission's investment directorate, suggests other possibilities:

■ Bonds, issued by the Commission but linked [redacted] particular road, rail, [redacted] or maritime traffic projects. Coupons paid [redacted] investors might depend on [redacted] *volume of* [redacted] project [redacted]

● Loan guarantees by [redacted] Commission. [redacted] for [redacted] of a network [redacted] the Union such as motorways or telecommunications lines extending into [redacted] Europe.

Although the Commission is no longer pushing Union Bonds as the main option, the thinking behind the other ideas remains the same: the Commission could use its AAA status to cut borrowing costs for countries with lower credit ratings. The benefit for states such as Greece, Italy, Ireland and Denmark could be the equivalent of between half and one percentage point off interest rates, [redacted] Mr Cioffi. But such proposals could run into the same opposition from member [redacted] as Union Bonds.

Part of the Ecu20bn envisaged by Mr Delors could be provided as direct subsidies [redacted] projects, though the Commission has yet to spell [redacted] how this might work. Subsidies would not necessarily be limited to regions that already qualify for structural and [redacted] funds.

Some member states, however, are worried that such handouts could be a [redacted] of public money. They could merely [redacted] to the construction [redacted] *grandiose projects* with little economic benefit.

Whatever [redacted] decided [redacted] Union funding, there [redacted] sus that national budgets [redacted] so strapped that [redacted] bulk of the money for trans-European networks will have [redacted] come from the private sector. This raises the question of whether a bigger push [redacted] needed [redacted] privatise and liberalise monopoly [redacted]

There [redacted] *sharp differences* between member states [redacted] liberalisation. The UK has traditionally [redacted] the free-market group, while France has supported the continuation of public-sector monopolies.

Within [redacted] Commission, there are similar, though less sharp, [redacted] liberalisation would help the trans-European network initiative, but they differ [redacted] Commission needs [redacted] do more than it [redacted] already doing.

The liberal camp believes [redacted] national monopolies in transport, [redacted] and energy are [redacted] networks. Public-sector monopolies [redacted] little incentive [redacted] look beyond their [redacted] frontiers, [redacted] their monopoly [redacted] has prevented pri[redacted] operators building transna[redacted] links [redacted]

Those who hold this view point to [redacted] US, [redacted] transcontinental net[redacted] competitive [redacted] go hand in [redacted] In particular, they say a lesson is to be learnt from the Clinton administration [redacted] is [redacted] develop US [redacted] superhighways by liberalising the telecommunications and [redacted] television industries, rather [redacted] in government money.

Abolishing monopolies would [redacted] private [redacted] *flow* into [redacted] projects. Priorities would be chosen on [redacted] as companies sought [redacted] the most profitable opportunities. There [redacted] also [redacted] less [redacted] to co-ordinate investment as operators *would be free to* [redacted] *across* boundaries.

"The big issue is lifting [redacted] restrictions. That is the only way of mobilising [redacted] investment," [redacted] Mr Herbert Ungerer, who runs [redacted] Commission's telecommunications policy unit.

[redacted] liberalisation [redacted] not the complete story. For [redacted] start, it is harder [redacted] apply the approach in loss-making [redacted] such as railways and [redacted] than in profitable [redacted] such as telecommunications [redacted] energy. Moreover, even in a [redacted] would be a [redacted] co-ordinated investment [redacted]

Such issues will have to [redacted] by EU member [redacted] in [redacted] months. If [redacted] *tions of trans-European networks* are to be laid before the end of [redacted] century. [redacted] European competitiveness [redacted] stake, [redacted] already some impetus behind [redacted] plans. But if [redacted] trans-European network initiative [redacted] really [redacted] gather momentum, mem[redacted] will have [redacted] overcome [redacted] qualms they [redacted] have about a fresh [redacted] working together on [redacted] pan-continental scale.

OBSERVER

Comfort stations

■ Spare a thought for Sir Peter Harding, the marshal of the RAF and chief of defence staff. As if [redacted] did not have enough on his plate advising the Cabinet about sending troops to Bosnia, he also has to find cuts of £1bn *a year in the* Ministry of Defence's budget.

His pinstriped troops have been forced to review everything from procurement costs down to the things that the military really care about, such as military bands, animals, and uniformed vets.

However, Observer can report that one vital defence cut has been restored. When Air Chief Marshall Sir "Sandy" Wilson takes over the RAF's new admin headquarters at Innsworth he'll find that the number of VIP toilets under his command is back to full strength.

The MoD has shot down a report that a proposed library in the officers' mess at RAF Innsworth had been scrapped in favour of a powder room for the new commander's wife. The MoD admitted that the plans had been "amended" to increase the number of VIP privies from one to two, but said that all its commands have two VIP toilets.

There was also no question of the officers going without their reading matter for the convenience of the commander's wife. The new mess would still have a library. That's a relief.

Sunny side up

■ Last week Observer drew attention to Alison Cottrell, *Midland Bank's global interest rate* watcher, who [redacted] timetable of international events when making her predictions. Now Sushil Wadhwani and Mushtaq Shah of Goldman Sachs in London suggest a correlation between the weather and equity performance. They have found that the proportion of low cloud [redacted] days when the stock market rises is above 50 per cent, and [redacted] the [redacted] when cloud cover is high. "Hence," they add, "on the presumption that, [redacted] day, the sun will start shining again on New York city, we are bullish about equities".

Setting an example

■ David Mellor, the former Tory Cabinet minister, is learning fast. He's been taken on as [redacted] senior adviser to accountants Ernst & Young, adding to his increasingly fat portfolio of business consultancies.

'I declare this country open for democracy'

Mellor's policy [redacted] concentrating on advisory jobs, rather than company directorships, makes [redacted] lot of sense. Not only do most consultancy jobs pay far better than [redacted] average non-executive director's fee, but they [redacted] none [redacted] the [redacted] responsibilities [redacted] being [redacted] company director. David Howell (ex-Queens [redacted] Houses) and Sir Charles Powell (ex-Tiphook), are just a few of the political [redacted] who [redacted] sat [redacted] companies that [redacted] run into trouble. It [redacted] look good [redacted] their CVs.

It is much more rewarding [redacted] employed [redacted] an [redacted] to a company, and much easier [redacted] disappear into [redacted] *shadows* [redacted] is a hint of corporate trouble. The [redacted] bound [redacted]

MA anonymous

■ *Another* [redacted] newspaper buffs. [redacted] 200-year-old Morning Advertiser, bible of the drinks trade and first national daily on [redacted] Street, [redacted] a daily [redacted] more.

From today, it's published just [redacted] a [redacted] *and changes* [redacted] *name* to The [redacted] and Morning Advertiser. "Today's publican is not [redacted] of leisure who could [redacted] down with [redacted] pint" says editor John Tomlin explaining why [redacted] famous charge has been turned [redacted] a twice *weekly magazine.*

Crossed wires

■ Always thought [redacted] Eurotunnel chairman Sir Alastair Morton was [redacted] bit of [redacted] loose [redacted] No sooner has the government given him the chairmanship of [redacted] Private Finance Working group, than up he pops telling the other side how to [redacted] it.

Morton, [redacted] stepped down [redacted] executive [redacted] Eurotunnel [redacted] month, [redacted] given [redacted] billing in Labour's [redacted] on its new public/private [redacted] *partnership. Morton*, [redacted] state-owned British National Oil Corporation [redacted] last time Labour [redacted] in power, but promises that [redacted] not contributing [redacted] opposition's new initiative. He [redacted] only agreed [redacted] speak at [redacted] *on February* [redacted] *in* [redacted] his views across [redacted] doing [redacted] for [redacted] Tory's Bow Group in March.

Even so, Morton's political dexterity [redacted] bound [redacted] sense in [redacted] government quarters [redacted] *gets given* [redacted] proper job [redacted] again, the better. Then, perhaps, [redacted] chairmanship [redacted] the Treasury working group can be turned over to a more government-friendly type like former BP chairman [redacted] Horton, *now running* [redacted]

Memory lane

■ [redacted] contrasting fortunes [redacted] Manchester's [redacted] premier league [redacted] clubs [redacted] rarely [redacted] greater: witness the current joke about Francis Lee, City's new chairman. When he opened the trophy room at [redacted] Road, he discovered Lord [redacted] and Shergar, the kidnapped Derby winner.

FINANCIAL TIMES
Monday February 21 1994

Taiwan enters talks with Boeing on regional jet aircraft project

By Paul Betts in Singapore

Taiwan Aerospace [illegible] in talks with Boeing [illegible] possible joint development of [illegible] regional jet.

The [illegible] follows [illegible] failure of talks last [illegible] between the aero[illegible] company, which [illegible] per [illegible] owned by the Taiwan government, and British Aerospace [illegible] co-operate [illegible] a similar project.

The proposed collaboration with Boeing, the world's [illegible] manufacturer [illegible] aircraft, [illegible] involve co-operation with the Chinese aircraft industry [illegible] Japan.

The talks [illegible] the third attempt by Taiwan Aerospace, [illegible] years [illegible] spearhead the country's [illegible] develop an [illegible] industry, [illegible] international partnership. The first proposed link [illegible] with McDonnell Douglas [illegible] US.

Mr Richard Albrecht, [illegible] Boeing [illegible] vice-president, [illegible] yesterday [illegible] company was discussing [illegible] possibility of developing either a 100-seat aircraft or [illegible] small derivative of its [illegible] twin-engine airliner with Taiwan, China and possibly Japan.

Mr Albrecht, attending a Financial Times Aerospace con[illegible] the eve [illegible] the Singa[illegible] Show, [illegible] confirmed that Boeing was conducting [illegible] rate [illegible] with the [illegible] Japa[illegible] Aerospace companies (Mitsubishi Heavy Industries, Kawasaki Heavy Industries, [illegible] Fuji Heavy Industries) [illegible] opment of [illegible] new 100-seat airliner.

It was too early [illegible] whether the Japanese companies, already long-standing partners [illegible] other Boeing programmes, including [illegible] and the [illegible] 777 wide-body aircraft, would participate [illegible] collaboration project with Taiwan and China. But Boeing is stepping up efforts to put into place [illegible] longer term strategy [illegible] increase its penetra[illegible] growing [illegible] aviation market, which will [illegible]tually [illegible] not only [illegible] China but [illegible] Hong Kong and [illegible]. China was Boeing's largest [illegible] customer [illegible] taking delivery [illegible] 47 aircraft.

Mr Albrecht [illegible] he would soon visit Taiwan [illegible] collaboration.

For [illegible] past [illegible] Taiwan attempted [illegible] forge [illegible] joint regional jet venture with [illegible] the [illegible] failed [illegible] reach agreement [illegible] negotiations were suspended three months [illegible].

[illegible] more ambitious partnership [illegible] Taiwan Aerospace [illegible] McDonnell Douglas collapsed in [illegible]. However, Mr John Wolf, executive vice-president [illegible] the Douglas Air[illegible] the [illegible] continuing [illegible] partners [illegible] aircraft operations.

[illegible] McDonnell Douglas [illegible] received [illegible] significant boost [illegible] with [illegible] Bill Clinton's [illegible] that Saudi [illegible] intended [illegible] place [illegible] $6bn [illegible] with [illegible] Boeing [illegible] McDonnell Douglas are [illegible] delegations to [illegible] Arabia on [illegible] 20 [illegible] start [illegible]tiating details [illegible] contract to supply about [illegible] aircraft to Saudia, the national airline.

Mr [illegible] had [illegible] asked the [illegible] manufac[illegible] an aircraft support and maintenance package which could involve "several hundred million [illegible] more". He confirmed that the Saudis had [illegible] yet decided what aircraft [illegible] they intended [illegible] purchase.

[illegible] expected [illegible] supply [illegible] jumbos [illegible] twin-engine aircraft [illegible] Douglas will propose MD11 three-engine, long-range aircraft and MD80/90 twin-engine airliners.

Although Rolls-Royce, the UK [illegible] engine manufacturer, supplied the [illegible] plants [illegible] Sau[illegible] existing [illegible] of [illegible] latest [illegible] likely to [illegible] US-made engines [illegible] strong political impetus behind [illegible] deal, according [illegible] European Aerospace officials.

Inaction could undermine non-proliferation efforts, Christopher warns

US seeks to end nuclear fuel dispute

By George [illegible] in [illegible]

The US is seeking to resolve a nuclear [illegible] dispute [illegible] with [illegible]tors of European [illegible] and threatened the country's [illegible]ity in nuclear non-proliferation talks due [illegible] year.

After five years of foot-dragging by successive US [illegible]trations, [illegible] Department of [illegible] has [illegible] US [illegible] spent [illegible] from [illegible] European [illegible] of [illegible] be [illegible] to [illegible] if [illegible] of [illegible].

[illegible] the US stopped [illegible] back the fuel in [illegible] Euro[illegible] consider [illegible] reneged [illegible] decades-old bargain by which European research [illegible] agreed to convert from high-enriched to low-enriched uranium. The high-enriched uranium can be used to make bombs.

Mr Warren Christopher, US secretary [illegible] state, [illegible] that if US inaction drove foreign reac[illegible] back [illegible] high-enriched uranium, [illegible] would "undermine 15 years [illegible] intensive US non-proliferation [illegible]".

If the [illegible] were [illegible] not to be [illegible] its side [illegible] the bargain, this [illegible] seriously weaken its [illegible] persuade [illegible] countries to renew the [illegible] Proliferation Treaty, which is [illegible] an international [illegible].

[illegible] and European [illegible] confident that remaining objections by environmentalists – and the state of South Carolina where [illegible] spent fuel would end [illegible] – can be resolved by [illegible] next month under an [illegible] procedure to assess the environmental consequences.

"In general, we are feeling very confident that we will be able to initiate the spent fuel acceptance that is proposed in the environ[illegible] assessment," [illegible] Mr Charles Head, of the US Energy Department.

[illegible] shipment [illegible] up to 448 fuel elements to begin [illegible] a five-year gap, relieving the [illegible] operators' short-term problems.

However, [illegible] longer-term solution will require [illegible] full environ[illegible] impact [illegible]. This is expected [illegible] until [illegible] of [illegible].

Meanwhile, some reactor opera[illegible] growing increasingly irritated [illegible] unreliability. "They haven't kept to any time limits," Dr Klaus Singer, director of Denmark's Risoe reactor, says.

Seeking a safe grave for nuclear remains, Page 6
US press coverage angers South Koreans, Page 4

Dutch to levy special tax on mobile phone network profits

By Andrew Adonis in London and Ronald van de Krol in Amsterdam

The Netherlands [illegible] to [illegible] the [illegible] country to [illegible] mobile telephones.

The Dutch government plans to impose a 7.5 per cent tax [illegible] profits [illegible] companies operat[illegible] new digital cellular [illegible] when [illegible] this year.

The cabinet [illegible] approved the [illegible] despite objections [illegible] business, but it has [illegible] to [illegible] by parliament. If [illegible] is, the [illegible] operators [illegible] networks built [illegible] the pan-European digital [illegible] will be obliged to pay [illegible] tax.

The auctioning of [illegible] to operate mobile telephone [illegible]works [illegible] in other countries, but [illegible] mobile telephony moves into the mass [illegible]sumer [illegible] potential of a [illegible] on [illegible] operators' profits is [illegible].

The Dutch government [illegible] that [illegible] is fair because [illegible] plans to allow only [illegible] operators – KPN, [illegible] post [illegible] telecommunications com[illegible] is [illegible] privati[illegible] in June, and a private [illegible]tor operator which will [illegible] in the second half [illegible] 1994. It considered, but rejected, [illegible] proposal [illegible] charge the operators an upfront [illegible] of around Fl 500m [illegible] each.

Greece [illegible] $164m [illegible] the sale of [illegible] GSM licences two years [illegible]. The US government [illegible] more than $10bn next year in an auction [illegible] Personal Communications Services, [illegible] cellular technology.

The Dutch levy will be on [illegible] tax profits; payments will be [illegible] deductible, taking the effective [illegible] down to [illegible] 5 per cent. [illegible] will [illegible] immediate [illegible]nue since [illegible] will [illegible] operators a [illegible] profitability.

The tax, [illegible] by the Dutch finance ministry, [illegible] been [illegible] by KPN and [illegible] groups [illegible] "penalty [illegible] innovation".

However, competition [illegible] the [illegible] will [illegible]. The [illegible] main Dutch banks, [illegible] Amro, ING and Rabobank, [illegible] expected to put in [illegible] with local [illegible] part[illegible].

[illegible] phone companies win in Pakistan crisis, Page [illegible]

Threat of air strikes against Serbs eases

Continued from Page 1

[illegible] his forces would [illegible] it, despite the bad weather. "The snow is a [illegible] problem ...but [illegible] I think [illegible] will [illegible] it," [illegible] told [illegible] television.

[illegible] Yasushi Akashi, the [illegible] special envoy [illegible] former Yugoslavia, said snow could prevent [illegible] meeting the [illegible]line, adding [illegible] no [illegible] for [illegible].

[illegible] in Aviano, northern Italy, [illegible] ministers from Nato [illegible] kept [illegible] their pressure on [illegible] pronouncement, they said [illegible] would [illegible] firm.

Mr Perry [illegible] he was [illegible] by [illegible]. The US [illegible] supplying just [illegible] half [illegible] 226 [illegible] and support [illegible] in [illegible] operations.

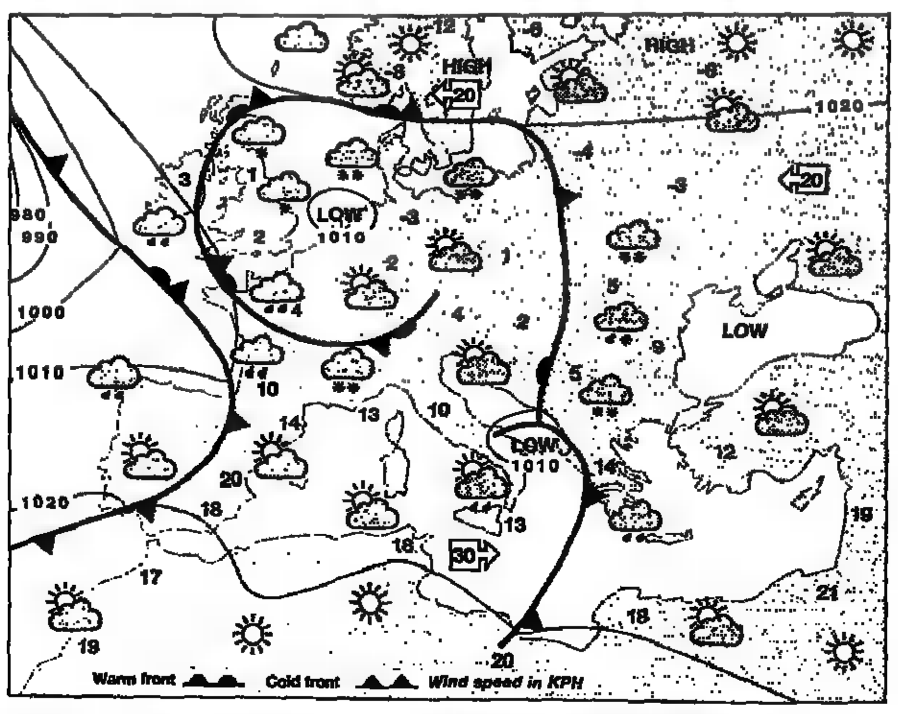
FT WEATHER GUIDE

Europe today

High pressure will bring more sun to central Scandinavia, but daytime temperatures will stay between -5C and -10C. [illegible] depression over the North Sea means southern regions will be overcast with light snow. The depression will bring cold, moist air to the UK, resulting in snow along the east coast. There will also be snow in the northern Netherlands and Germany. A frontal zone over the Atlantic will bring persistent rain to south-western UK and south-western France. The western Alps will have new snow above 700m, but the southern and eastern mountains will be mainly sunny. A depression moving east will bring showers [illegible] Greece and southern Italy, and there will be snow in the [illegible].

Five-day forecast

A weakening depression over the Atlantic will push milder air into France on Tuesday and Wednesday. This front will move slowly north producing snow and rain. High pressure will move into the CIS, and low pressure will then bring snow to southern and central Scandinavia.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius																
Abu Dhabi	fair	24	Belfast	cloudy	2	Cardiff	cloudy	0	Frankfurt	cloudy	2	Malta	fair	16	Rio	cloudy	30
Accra	fair	32	Belgrade	snow	1	Chicago	fair	2	Geneva	rain	5	Manchester	cloudy	2	Riyadh	sun	23
Algiers	fair	20	Berlin	snow	2	Cologne	fair	1	Gibraltar	fair	18	Manila	cloudy	31	Rome	fair	13
Amsterdam	snow	-1	Bermuda	cloudy	20	D' Salaam	fair	31	Glasgow	cloudy	2	Melbourne	fair	28	S. Frsco	rain	11
Athens	shower	15	Bogota	cloudy	20	Dakar	sun	25	Hamburg	snow	-3	Mexico City	fair	21	Seoul	cloudy	2
B. Aires	sun	32	Bombay	fair	29	Dallas	thund	20	Helsinki	fair	-6	Miami	fair	29	Singapore	cloudy	32
B.ham	cloudy	1	Brussels	cloudy	2	Delhi	fair	23	Hong Kong	fair	18	Milan	fair	10	Stockholm	fair	-4
Bangkok	fair	38	Budapest	cloudy	2	Dubai	fair	25	Honolulu	fair	24	Montreal	cloudy	6	Strasbourg	sleet	3
Barcelona	fair	14	C.hagen	cloudy	0	Dublin	cloudy	3	Istanbul	cloudy	11	Moscow	fair	-4	Sydney	fair	25
Beijing	fair	5	Cairo	sun	21	Dubrovnik	rain	10	Jersey	cloudy	7	Munich	cloudy	4	Tangier	fair	17
			Cape Town	sun	28	Edinburgh	snow	3	Karachi	fair	28	Nairobi	fair	28	Tel Aviv	sun	19
			Caracas	cloudy	25	Faro	shower	17	Kuwait	sun	23	Naples	fair	13	Tokyo	cloudy	8
									L. Angeles	fair	16	Nassau	shower	26	Toronto	shower	6
									Las Palmas	fair	22	New York	rain	14	Tunis	fair	18
									Lima	cloudy	27	Nice	fair	12	Vancouver	shower	8
									Lisbon	shower	15	Nicosia	fair	17	Venice	fair	8
									London	snow	2	Oslo	snow	-3	Vienna	sun	2
									Lux.bourg	cloudy	2	Paris	rain	4	Warsaw	fair	0
									Lyon	rain	7	Perth	sun	38	Washington	shower	17
									Madeira	fair	19	Prague	fair	3	Wellington	shower	20
									Madrid	shower	11	Rangoon	sun	35	Winnipeg	fair	-12
									Majorca	fair	16	Reykjavik	cloudy	3	Zurich	rain	5

THE LEX COLUMN

Rewarding Enterprise

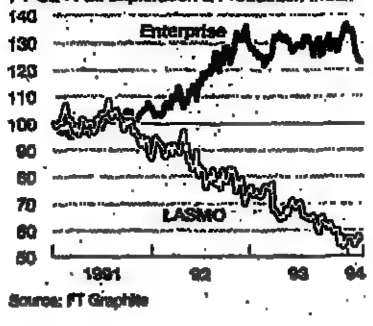
Enterprise [illegible] has worked hard [illegible] than five [illegible] to bring [illegible]son field on stream. Given that, it must be galling [illegible] to [illegible] with [illegible] prices around their [illegible] for [illegible], and at their lowest in real terms for 20. The rate of output from the company's Scott and [illegible] means that by [illegible] Enterprise's oil output will [illegible] almost [illegible] that in 1990-91. That [illegible] won the [illegible] a share price which [illegible] premium [illegible]. Measured [illegible] payments [illegible] dividends, [illegible] into [illegible] £400m a year. Yet low oil prices cut into potential profits, and earnings will not look anything like as rosy as cash flow. The company's dividend payment may remain barely covered.

On top of that, Enterprise must find or buy oil on the same scale as its newly-expanded production capacity if it is not to mine into its asset base and reduce its longer-term value. Finding reserves at the rate they are being used will soak up almost all of that £400m a year of free cash flow about to be produced.

There is thus an argument that the dividend should be cut, because it is sucking [illegible] much [illegible] out [illegible]. That [illegible] for Enterprise's loyal [illegible]. But [illegible] oil prices remain low, and exploration [illegible] fundamentally unprofitable, much of [illegible] money may [illegible] be worth spending. It might then be returned to [illegible] or invested [illegible] upstream oil [illegible]. Weighing [illegible] decision will be the acid test [illegible] Mr [illegible] chairmanship.

Oil shares

Relative to the FT-SE-A Oil Exploration & Production Index



Source: FT Graphite

Multimedia

[illegible] is rarely mentioned in the same [illegible] as Hollywood, but [illegible] week both towns [illegible] offered [illegible] future. The trouble is that no one knows if it will work. Viacom, which conquered Paramount with [illegible] $9.7bn bid, now has to prove that its [illegible] makes financial sense. By contrast, [illegible] decision [illegible] take [illegible] 20 per [illegible] stake in the Welsh [illegible] contractor, HTV, [illegible] outlay of just £27m. [illegible] deal [illegible] come to be seen as marking a symbolic shift [illegible] from Chan[illegible] to [illegible] and [illegible]. Similar [illegible] are [illegible] to [illegible]low, [illegible] makes [illegible] tilt at LWT appear almost parochial.

HTV argues that advertising growth prospects for Channel 3 franchises will be limited by the proliferation of rival [illegible] networks. [illegible]. The link-up with [illegible] operator, such as TCI, gives it an effective way [illegible] recycling [illegible] existing [illegible] and [illegible] channel [illegible] productions. [illegible] opera[illegible] all [illegible] possibilities [illegible] broadening their services, with telephony [illegible] shopping just the start. In such a thrilling world, [illegible] impertinent to [illegible] operators [illegible] yet [illegible]. [illegible] critics [illegible] that they never will. The delivery of television [illegible] may simply become a commodity [illegible].

[illegible] follow [illegible] trend [illegible] computers, where [illegible] slipped from the [illegible] suppli[illegible] to programme [illegible] likely [illegible] grow significantly [illegible] demand [illegible] programming hours forecast to triple by the end of [illegible] decade.

Swiss banks

The [illegible] per [illegible] in [illegible] Bank Corporation's latest annual [illegible] profit bodes well for other Swiss banks due to report soon. Though part of the increase was due to an apparent drop in the tax charge, there is little doubt that the bank has made a killing on [illegible] trading. And while the 44 per cent [illegible] in provisions and [illegible] charges in [illegible] payments to [illegible] owners [illegible] its O'Connor derivatives partnership, the bank seems to have felt inclined to smooth its earnings jump with a high provisions charge. [illegible], including UBS [illegible] on [illegible]day, should [illegible] a substantial [illegible] in profits from [illegible] trading, but Swiss Bank may feel the [illegible] more strongly in its [illegible] price. CS Holding [illegible] the [illegible] income to limit earnings dilution as it builds up its relatively low capital base. [illegible] weathered the [illegible] better than SBC, which was caught not only by bad domestic loans [illegible] by large [illegible] on overseas lending. At the end of [illegible], UBS's provi[illegible] per cent [illegible] total [illegible]. At [illegible] per [illegible] those of [illegible] had [illegible] fall.

The large additional provisions made for 1993 together with restructuring [illegible] by its new [illegible] means Swiss Bank [illegible] better shielded from any fall in trading income this year. The [illegible] are [illegible] earn[illegible] growth will outstrip that of UBS. [illegible] shares, which under-performed [illegible] larger rival's by about [illegible] per cent [illegible] the [illegible] year, will then also [illegible] to pull ahead.

Index-linked gilts

It [illegible] not been [illegible] good year for index-linked gilts [illegible] far. Having [illegible] around [illegible] cent, real yields are now back over 3 per cent. In theory, index-linked [illegible] ought to provide a haven for worried equity investors. The [illegible] instruments have [illegible] similar structure, in [illegible] capital value [illegible] annual payout [illegible] equities tend to [illegible]. [illegible] equi[illegible] carry an [illegible] company [illegible] and, [illegible] only around 0.25 per cent, [illegible] difference [illegible] the FT-A All-Share [illegible] yield and [illegible] yields on index-linked gilts is the lowest for [illegible]. That should make index-linked attractive, [illegible] probably says [illegible] the degree [illegible] which equities are over-valued.

Part [illegible] is the perennial lack of liquidity in [illegible] index-linked market. But inflationary [illegible] exchange rate worries have [illegible] enough [illegible] yields on conventional [illegible] fall much [illegible] cent. Since real yields [illegible] index-linked issues [illegible] follow those [illegible] conventional gilts, the [illegible] of further progress is limited for [illegible] as well.

Indeed, the low coupons on index-linked gilts produce [illegible] gearing effect [illegible] prices fall [illegible] sharply [illegible] of conventional [illegible] are rising. That [illegible]. In contrast, index-linked will outperform [illegible] issues when higher [illegible] than upward pressure [illegible] real [illegible] is causing [illegible] prices to fall. [illegible] producer price figures suggest that point is still some [illegible] off.

FINANCIAL TIMES
COMPANIES & MARKETS

[illegible]

US rail group plans gold float

By Kenneth Gooding, Mining Correspondent

Santa Fe Pacific, the US railroad group, [illegible] expected soon [illegible] float [illegible] tary on terms that would give Santa Fe [illegible] Corporation a market value [illegible] $1.5bn.

Analysts [illegible] the [illegible] market launch of [illegible] Fe [illegible] will follow [illegible] behind [illegible] eagerly-anticipated $1bn flotation in London [illegible] Ghana [illegible] Ashanti Goldfields.

Santa [illegible] Gold includes some [illegible] the US [illegible] Hanson, [illegible] Anglo-American conglomerate, acquired with Consolidated Gold Fields of [illegible] UK and swapped last year for Santa Fe's coal and aggregate operations.

This deal transformed Santa Fe Gold into the sixth largest North American gold producer with an anticipated [illegible] output [illegible] troy ounces. It also has [illegible] the [illegible] gold reserves in North America: 14m ounces.

Analysts [illegible] parent [illegible] do an IPO (initial public [illegible] about [illegible] per [illegible] of Santa [illegible] Gold [illegible] $200m [illegible] $300m. Santa [illegible] would then [illegible] holding [illegible] the parent group's shareholders [illegible] by the end [illegible] this year the gold company would have a free float of 100 per cent.

Santa Fe would not discuss the issue, probably because it felt constrained by US regulations, but analysts were alerted in June when the [illegible] applied f[illegible] a ruling from the [illegible] that the distribution of the Santa Fe Gold shares would be tax free. Such rulings typically take between six and nine months to be made known.

[illegible] Lindsey Falconer, analyst at Ord Minnett, an affili[illegible] of [illegible] Jardine Fleming group, suggested the tax ruling was likely to be favourable but, even it it was not, Santa [illegible] would [illegible] ahead with [illegible] IPO. She [illegible] gold subsidiary was worth $1.6bn [illegible] $8.50 per Santa Fe [illegible].

"The stock looks very attrac[illegible] when compared with other senior North American producers, it will be seen as a core holding among the North American gold shares and will [illegible] eligible [illegible] inclusion in the new Financial Times Gold Index," she said.

Santa Fe Gold now has three mines in northern Nevada: Lone Tree, Mesquite and Twin Creeks (a combination of Hanson's Chimney Creek mine and Santa Fe's Rabbit Creek). It is one of the biggest holders of minerals rights in the western US – 7.2m acres in some of the most prospective regions, inherited from its parent.

C&W to aim at Asia-Pacific region

By Andrew Adonis in London

Cable and [illegible] the UK [illegible] group, [illegible] make [illegible] Asia-Pacific [illegible] its prime investment focus for the next decade.

Mr James [illegible] C&W's chief executive, told [illegible] FT that a strategy [illegible] telecoms growth opportunities in [illegible] the company's [illegible] priority.

[illegible] said the "medium-term objective" [illegible] the free cash flow [illegible] Hong Kong Telecom, which [illegible] per cent owned by C&W, to investment in the Asia-Pacific region, allowing [illegible] a "proper dividend" to [illegible] group.

That implies a [illegible] concentration [illegible] investment in the Asia-Pacific [illegible] since HK Telecom last [illegible] accounted for [illegible] two-thirds [illegible] C&W's £829m [illegible] profit, although [illegible] Asia-Pacific region accounted for only 44 per cent of C&W's turnover.

He added that C&W did not attach "high priority" to the rush to international telecoms alliances led by British Telecommunications and American Telephone & Telegraph.

"C&W is a federation in its own right, and we don't need others just to give us a global capacity," he said.

In Europe, Mr Ross affirmed [illegible] determination to pur[illegible] opportunities as the Euro[illegible] Union [illegible] telecommunications [illegible].

Pulling the pearls together, [illegible]

BMW talks to Honda on Rover

By John Griffiths in London

BMW is expected to start learning in Tokyo today Honda's [illegible] to the German [illegible] £800m ($1.1bn) plan [illegible] buy [illegible] Group, Honda's UK partner.

Talks [illegible] involving Honda [illegible] and teams [illegible] by Mr Bernd [illegible] rieder, BMW's chairman, and Mr John Towers, [illegible] will [illegible] mine [illegible] Honda will [illegible] tinue under BMW's majority ownership [illegible] 15-year partnership with [illegible].

Last night Honda, which [illegible] a 20 [illegible] in Rover, [illegible] giving [illegible] clues [illegible] which [illegible] it might jump. Its agreements with [illegible] it to break formal ties as little as seven days after the passing of Rover into new ownership.

However, analysts this weekend said such a move would be almost inconceivable given the commercial [illegible] to Honda of its collaboration with Rover. [illegible] some £400m annually in parts revenue alone, [illegible] example.

The [illegible] carmaker has made clear its [illegible] deal, which it regards as a betrayal of [illegible] ing relationship which has developed [illegible] Honda and [illegible].

But [illegible] directed solely at Rover's current owner, [illegible] Aerospace. Honda [illegible] that [illegible] has been powerless [illegible] prevent its own [illegible].

BMW hopes to persuade [illegible] in [illegible] partnership. However, Honda regards BMW [illegible] a rival, strongly [illegible] Rover [illegible] remain independent - [illegible] at [illegible] expected [illegible] a high commercial price for staying in.

[illegible] persuaded [illegible] form a long-term, tripartite collaboration, "it would be a seminal event which could change the [illegible] of [illegible] motor industry for ever", and guaran[illegible] the futures of all three, according [illegible] Professor Garel Rhys, professor of motor industry [illegible] at [illegible] adviser to the House [illegible] Commons select [illegible] industry.

[illegible] begins, Page [illegible]

Andrew Large talks to **Norma Cohen** about the UK investment industry

The regulator armed with a horse-whip

Andrew Large, the bespectacled, slightly stoop-shouldered [illegible] City regulator [illegible] poking, prodding, coaxing and in some cases, horse-whipping the UK investment industry into the 21st century.

His personal [illegible] is more of a poodle than a Rottweiler but he is the instigator of a radical shake-up of the UK investment industry for small investors and large securities firms alike.

In the 18 months since he took on the role of chairman of the Securities and Investments Board, he has forced an overhaul of the way retail financial services are regulated despite the implacable hostility of the insurance industry. This week, he will unveil the blueprint for the Personal Investment Authority, the vehicle for far tougher oversight than yet achieved.

And last week, he launched a review of the way wholesale markets operate and suggested that, to make markets more efficient and competitive, professional investors may have to give up some of the practices which have protected their profits.

He concedes that some suggestions made in his report, couched in the non-combative language of a discussion document, are radical. But he says London must face the issues. "All [illegible] been addressed in the US. Any financial centre that aspires to be a major financial centre must answer these questions," he [illegible] "If we [illegible] this, [illegible] are not doing our duty."

Moreover, he has announced [illegible] permanent group of securities regulators to improve the ferreting out and punishment of wrongdoing in the securities industry. Regulators ought to act as a "street-wise support" to criminal prosecutors, helping them obtain convictions.

Mr Large acknowledges as legitimate [illegible] public [illegible] failure [illegible] criminal courts to convict and punish individuals widely accused of cheating investors and says that something must be done.

Former colleagues say his boffin-like demeanor is misleading. "He is out to win," says a colleague who worked closely with him at Swiss Bank Corporation in London in the 1980s. "And if he can't win, he'll get out."

Proof of that, colleagues say, was his decision to quit the board of SBC after two years, despite the prestige of having been the first foreigner named to such a post.

"He came in early one morning and tried to make himself a cup of coffee. The staff wouldn't let him do it – they said directors don't make coffee," says one former colleague.

Aside from the cultural differences, there were other difficulties over the board's reluctance to consider expansion projects he thought necessary.

For his part, he speaks glowingly of his 10 years at SBC, during which time he established the bank as a major [illegible] in international finance, particularly in Eurobonds. [illegible] he does describe his [illegible] board as "stressful".

Former associates give fulsome praise [illegible] him [illegible] and [illegible] ment [illegible]. "His organisa[illegible] are second [illegible] none," [illegible] ex-SBC [illegible]. Moreover, he was sufficiently international in [illegible] – he was [illegible] around the world [illegible] a child by [illegible] father, [illegible] – [illegible] win [illegible] others could not.

Former [illegible] complete lack of humour. [illegible] a joke [illegible] prank [illegible] by him – a unique [illegible] in [illegible] Eurobond markets [illegible] abound. In an interview, [illegible] intoned [illegible] a straight [illegible] he [illegible] never [illegible] like his [illegible] because "I [illegible] patience," oblivious [illegible] his [illegible] pun.

An [illegible] person, at first blush, he hardly appeared the catalyst to shake up the investment industry when he was appointed to head the SIB in June 1992.

A product of Winchester College and Cambridge University, his first job was with British Petroleum which sent him to Malaysia. Back in London, he was in charge of an abortive project to extract protein from fuel oil. The turning point came, he says, when BP offered him the opportunity to train for an MBA at Insead, the French management school.

Insead was wonderful, he says. "It was totally international. You didn't care where anyone was from." The year there gave him his interest in finance.

But he says BP refused to give him [illegible] job in finance because he wasn't an accountant, and he jumped ship to work [illegible] Orion Bank, [illegible] tium set up by six foreign banks. After 10 years there, he was one of a group of five poached by SBC in 1979 to set up [illegible] activities based in London.

While he was [illegible] SBC he first [illegible] regulatory arena. He was chairman of the Securities Association, the precursor [illegible] the [illegible] self-regulatory body and in that role, fought [illegible] to reduce the regulatory burden on professional inves[illegible] envisaged in the newly-created Financial Services Act.

He says he still believes professional [illegible] require [illegible] dif[illegible] regulatory approach [illegible] unsophisticated investors.

[illegible] whether [illegible] still believes in self-regulation, he demurs. "I don't think self-regulation should [illegible] theology."

"If regulation is [illegible] work so that investors are [illegible] protected in an effi[illegible] manner [illegible] practitioners involved in it."

The extent [illegible] practi[illegible] should [illegible] in writing the City's rules will be the [illegible] question for the remainder [illegible] his term. [illegible] main challenge will [illegible] ensure [illegible] regulatory regime when [illegible] term [illegible] over, City hearts [illegible] in it too.

[illegible] this week

Starting on [illegible] 20

MARTIN DICKSON: GLOBAL INVESTOR

Fundamental US economic [illegible] should strengthen the dollar [illegible] the [illegible] few months. However, [illegible] central bank may have [illegible] tighten another notch [illegible] before it allays the jitters which have overtaken the Treasury bond market. Page [illegible]

EDWARD [illegible] EYE

The willingness of newspapers [illegible] report [illegible] outpourings [illegible] model-based forecasters gives [illegible] a terribly [illegible] is just not suited to [illegible] kind [illegible] pseudo-scientific futurology [illegible] purport [illegible] deliver. The OECD, the IMF and [illegible] UK Treasury, should put [illegible] their crystal balls. Page 20

Bonds: More [illegible] issuing structured bonds [illegible] this [illegible] them [illegible] cheaper [illegible] than with a straightforward Eurobond or global bond offering. Page 22

Equities: London starts trading under threat from the big sell-off across [illegible] bond markets on Friday. Page 23

Emerging markets: [illegible] fledgling [illegible] are set for a bumpy year. Page 21

[illegible] [illegible] Greenspan, chairman of [illegible] US Federal Reserve, makes [illegible] rare public [illegible]. Page 21

STATISTICS

Base lending rates	29
FT-A World indices	29
FT Guide to Currencies	21
Foreign exchanges	29
London recent issues	29
London share service	29
Managed fund service	25-29
Money markets	29
New int bond issues	22
World stock mkt indices	24

This week: Company news

ASTRA

Expectations still run high despite healthcare curbs

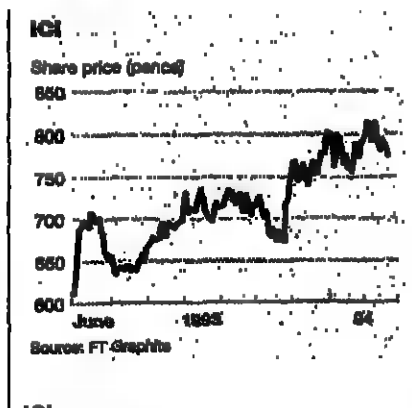
Satisfying investors' high expectations has become a familiar problem for Astra as the Swedish pharmaceuticals group may discover again on Friday [illegible] it presents its [illegible] figures. The group's record speaks [illegible] itself: for 15 [illegible] years up [illegible] profits growth outstripped [illegible] and the [illegible] will [illegible] certainly [illegible] been repeated [illegible] year.

Analysts' expectations range widely, but [illegible] is for pre-tax [illegible] SKr7.7bn - SKr7.8bn ($987m), up around 50 per cent [illegible] 1992's SKr5.12bn. The 1992 dividend of SKr1 [illegible] share (adjusted for a share split) is expected to be raised to at least SKr1.5.

[illegible] wide range [illegible] stems from uncertainty over the fourth quarter performance. Outstanding profits growth in the first nine months may [illegible] slowed [illegible] the impact [illegible] currency [illegible] on the final quarter [illegible]. Nine-month figures showed profits [illegible] SKr5.78bn, up 69 per cent, [illegible] sales which were 43 per cent higher at SKr16.1bn.

The key [illegible] the group's [illegible] has [illegible] spectacular growth [illegible] two drugs: Losec, an anti-peptic ulcer drug, [illegible] Pulmicort, an anti-asthma agent. [illegible] notched up sales of more than [illegible] per [illegible] in the first nine months, thanks both [illegible] krona and strong [illegible] in volumes. Like other pharmaceuticals groups worldwide, the company has had less success in raising prices [illegible] of government clampdowns [illegible] healthcare spending.

Largely [illegible] clampdown, [illegible] actually underperformed the Stockholm Stock Exchange last year. If the share is to make further progress in 1994, investors will [illegible] looking for [illegible] positive statement about prospects. Again, expectations [illegible] running high: Kleinwort Benson in London, [illegible] example, is already penciling in profits [illegible] SKr9.8bn for the current year.



Source: FT Graphite

ICI

Analysts focus on state of play

ICI reports its first set of full-year figures since the demerger of Zeneca last summer on Thursday. Thanks largely to cost-cutting and currency gains profits before exceptionals are expected to have doubled to between £270m and £300m ($438.00). Analysts' estimates for 1993 are in a tight range and attention will focus on the company's comments about the state of its major markets.

It is expected to be quite positive about the [illegible] and UK but to report that Europe remains tough both in terms of volumes and prices. Even if German interest rate cuts continue few observers expect much recovery this year. Analysts will be expecting an update on ICI's own restructuring programme, which has meant hefty rationalisation costs over three years.

In 1992 the combined group reported a loss of £384m after exceptionals of £949m. There are expected to have been further provisions last year including a £100m charge associated with the proposed disposal of its American composite materials business and £30m for the closure of Electrochlor, its indirectly owned PVC manufacturer in Argentina. Analyst Mr Ian John at NatWest Securities predicts FRS3 pre-tax profits of £107m after exceptionals.

[illegible] City [illegible] expecting unchanged dividends of 27.5p compared [illegible] underlying earnings [illegible] 22.5p.

OTHER COMPANIES

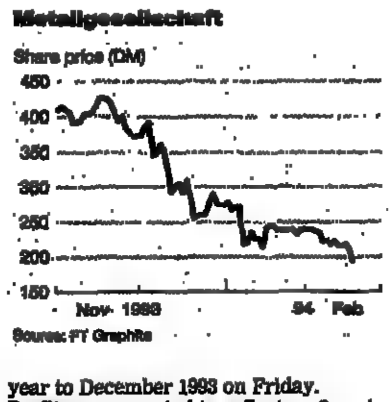
Cutting edge test for MG's chief executive

The Metallgesellschaft affair will loom large again this week. Tomorrow Mr Kajo Neukirchen, brought in last December as chief executive of the troubled metals, mining and industrial group, will hold his first press conference since he took over. Renowned as a no-nonsense restructuring expert, he is expected to announce big job-cuts as well as the sale of some of the group's 258 subsidiaries. On Thursday the company will hold a special shareholders' meeting at which Mr Ronaldo Schmitz, the Deutsche Bank director who is also MG's supervisory board chairman, is likely to explain the background to the near-collapse of the company. *Chief to explain strategy. Page 19*

■ **Svenska Handelsbanken:** One of Sweden's leading commercial banks, will confirm a strong recovery from the country's banking crisis when it unveils its 1993 results tomorrow. The bank, which was less badly hurt by the crisis than its rivals, is expected to rebound to an operating profit of between SKr1.8bn and SKr2.1bn ($265.8m), compared with [illegible] SKr840m loss in 1992. Higher revenues, cost-cutting and reduced credit losses have spurred the turnround.

■ Three of the four largest Danish banks report this week, Bikuben, the savings bank today, Jyske Bank, the Jutland-based bank, on Wednesday, and the largest of the Danish banks, Den Danske Bank, on Thursday.

■ **Bridgestone:** The Japanese tyre company which owns Firestone, will announce non-consolidated and consolidated earnings results for the year to December 1993 on Friday. Profits are expected to reflect an 8 cent fall in production and a 10 per cent fall in sales in the overall domestic tyre market last year. The company also faces lower profit margins as consumers are buying tyres at discounts, and choosing lower grade tyres in the economic downturn.



Source: FT Graphite

■ **American International Group:** The bellwether among US property/casualty insurers, is expected to report further strong premium gains for the last quarter of 1993. With growth in its overseas base and a recovery in some insurance lines in the US, premium growth could top 10 per cent, as in the previous two quarters. The market is looking for earnings per share of around $1.50 for the period, up from $1.40 the year before, making $5.75 for the year as a whole (1992: $4.90.)

■ **Euro Disney:** The banks will today receive the final version of KPMG Peat Marwick's investigative audit into the company's finances. The banks hope to hold the first negotiating session in Paris later this week.

Companies in this issue

Aegon	19	[illegible] and [illegible]	17	Metallgesellschaft	19
Air Canada	[illegible]	[illegible]	[illegible]	[illegible]	17
America West	[illegible]	Europa Minerals	[illegible]	Santa Fe Gold Corp	17
Amwest Partners	[illegible]	Granada	[illegible]	Santa Fe Pacific	17
BMW	17	Honda	17	[illegible]	19
Burmine	18	LWT	18	Trans World Comm	18

Granada rejects LWT argument in bid battle

By David Wighton

Granada yesterday dismissed LWT's defence against [illegible] tile £800m bid [illegible] "strong on presentation but [illegible] content".

In a final letter to LWT shareholders, Mr Alex Bernstein, chairman [illegible] Granada, rejects LWT's argument that [illegible] undervalues the [illegible]pany compared with the agreed takeovers of Central Independent Television and Anglia.

Mr Bernstein [illegible] that Granada's [illegible] represents 27.6 times LWT's estimated 1993 earnings, [illegible] the recommended [illegible] from Carlton [illegible] Central represented 25.1 times brokers' [illegible] for [illegible] target's 1993 earnings.

[illegible] for [illegible] price paid by MAI for Anglia, Mr Bernstein said that this [illegible] justified [illegible] Anglia's particularly valu[illegible] and because [illegible] much higher operational [illegible] LWT.

[illegible] that "moreover, in 1993 Anglia's [illegible] of net advertising [illegible] continued [illegible] increase, [illegible] LWT's share fell compared with [illegible]

Granada [illegible] LWT [illegible] much [illegible] argument [illegible] year's [illegible] profits and Mr [illegible] LWT shareholders: "You should question [illegible] of [illegible] by LWT in its 1993 profits [illegible] be."

The offer closes this Friday.

Unipalm to market via £5.5m placing

By Alan Cane

Unipalm, [illegible] Cambridge-based computer communications company, [illegible] coming [illegible] by [illegible] a placing [illegible] approximately [illegible] of expenses. Sponsored by Henry [illegible] Corporate Finance, [illegible] expected [illegible] value [illegible] at between [illegible] £18m.

Unipalm, now eight [illegible] old, [illegible] a leading [illegible] specialist in methods of attaching [illegible]mercial organisations [illegible] global computer network known as [illegible] Internet. [illegible] potential of [illegible] Internet remains comparatively untapped in [illegible] UK, [illegible] growing rapidly [illegible] US.

Unipalm has two principal operating companies. [illegible] distributes interconnection soft[illegible] while [illegible] other, Pipex, founded in January 1992, specialises in Internet connection. Pipex is under contract to [illegible] BBC to provide a low [illegible] Internet [illegible] to accom[illegible] a [illegible] Net", scheduled [illegible] April.

In [illegible] year [illegible] April [illegible] made pre-tax profits of £397,000 on £8m sales. In the first half of the current year, pre-tax profits amounted to [illegible] on [illegible] of [illegible]

Pipex, however, incurred [illegible] on [illegible] of £381,000 in its first year and a further [illegible] on [illegible] of [illegible] in [illegible] of [illegible] current year. Overall, [illegible] pre-tax profits [illegible] on [illegible]

The [illegible] 200 [illegible] including Dixons [illegible] Pilkington representing 70 [illegible] Internet market. [illegible] are running [illegible] £1.5m a year.

Mr Peter Dawe, a Unipalm co-founder [illegible] now Pipex [illegible] director, [illegible] being [illegible] expand the [illegible]ness, currently expanding at 100 per cent a year. He believed growth [illegible] of treble that amount [illegible] possible, admittedly from [illegible] low base point.

[illegible] Internet [illegible] single system but [illegible] self-regulating collection of [illegible] 14,000 net[illegible] across the globe. It has its origins in academic and [illegible] networks in [illegible] and has been seen principally as a low cost electronic mail system for hobbyists.

During the 1991 Soviet coup it was credited with providing a reliable path [illegible] in and [illegible]

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE
DSC [illegible]	[illegible] Hotels [illegible] US	Hotels	[illegible]
Philips (Netherlands)	Grundig (Germany)	Consumer [illegible]	£101m
[illegible] Philp (Australia)	Karl [illegible] (Germany)	Food	[illegible]
TCI (US)	[illegible]	Broadcasting	[illegible]
[illegible] Equity (Australia)	[illegible] of Transport [illegible]	[illegible]	[illegible]
Loctite Corp (US)	[illegible]	[illegible]	[illegible]

Honda may hold the ace when cards are revealed

John Griffiths and Kevin Done [illegible] the future of Rover as talks between BMW and Honda start today

In the three weeks since Rover was sold to BMW, the German car maker and Honda Motor, Rover's partner for 15 years, have been eyeing each other closely to see which will blink first.

The poker [illegible] begins in earnest today in Tokyo [illegible] Mr Bernd Pischetsrieder, BMW's chairman, begins talks with Mr Nibuhiko Kawamoto, Honda's president. Both parties have powerful cards to play.

Honda's wounded pride and loss of face caused by British Aerospace's sale of its 80 per cent stake in Rover might suggest a complete severing of Honda's links with Rover.

Honda, in fact, has the power in its Rover agreements to shut down much of Rover. It can give seven days' notice to cancel its key contracts if Rover was sold to another party.

That, however, would fly in the face of commercial common sense, at least in the medium term. It has too much to lose from selling parts to Rover and, anyway, the relationship cannot physically be unpicked overnight.

But [illegible] wish [illegible] "in [illegible] will naturally [illegible] every respect", is just as unlikely to come to pass.

BMW wants Rover, for example, [illegible] give [illegible] in [illegible] lower-medium [illegible] plans [illegible] a replacement [illegible] series, jointly developing the [illegible] in Project [illegible] Yet, [illegible] partners [illegible] understood to have failed yet to sign a full production agreement, and Honda could baulk.

Honda sees the German car maker as one of its most potent rivals in the world car market, [illegible] it [illegible] impossible to [illegible] remain as open to Rover.

Assuming [illegible] does not plump [illegible] 'doomsday' [illegible]nario, there there are three lev[illegible] Honda and Rover, [illegible] the Japanese car maker and BMW must now [illegible]

- [illegible] licensing agreements on original [illegible] products;
- [illegible] selling [illegible] buying of components;
- production [illegible] technology transfer from Honda to Rover.

These links are cemented by [illegible] equity stake in the whole of the Rover [illegible] operations (including Land Rover) and Rover's 20 per [illegible] UK assembly plant at Swindon.

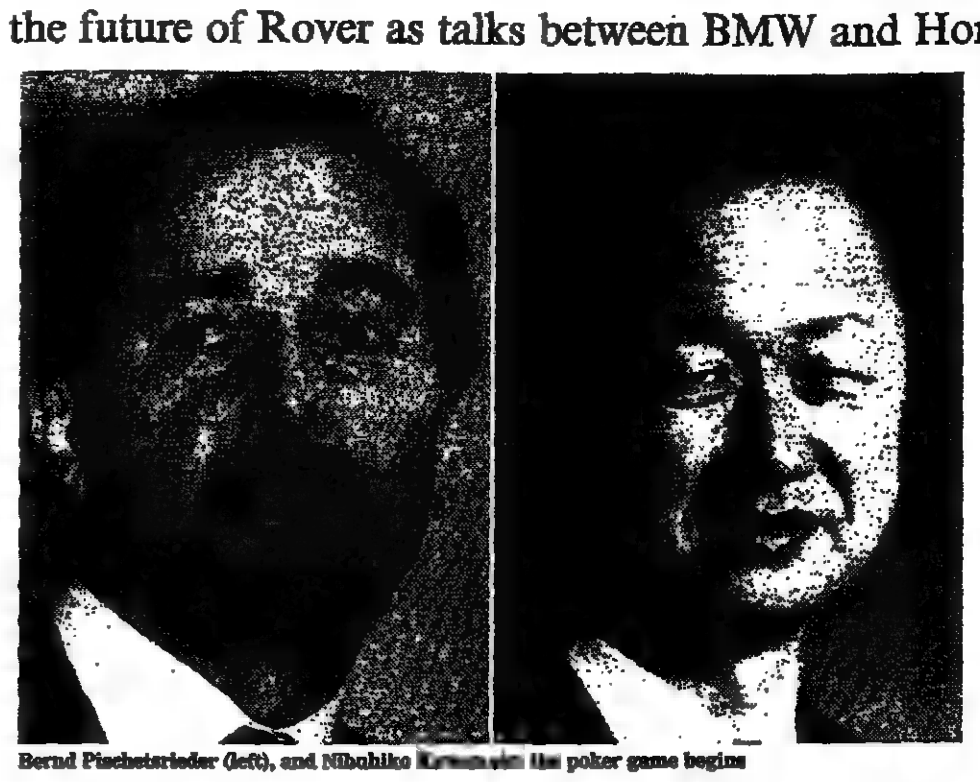
Licensing: Most of Rover's cars are based on or dependent on Honda designs and are pro[illegible] under direct licence from Honda. These agreements [illegible] be terminated at [illegible] months' notice.

[illegible] vehicles subject to them are the Rover 600 and 400 models. But Rover has greater leeway on the 200 hatchback. Because the 200 was a jointly developed vehicle, Rover enjoys component supply contracts for as long as it builds the current model.

This anomaly arose because the Honda Concerto model, on which the Rover 200/400 range is based, appeared in Japan first as a saloon, and the 400 was licensed directly from it, whereas the 200 was developed jointly.

Typical of critical component issues is the gearbox used on Rover's own two litre engines. This is a Honda product made under licence by Rover at its Longbridge plant in Birmingham. Withdrawal of its licence could disrupt much of the rest of Rover's car range apart from the ageing Montego, Maestro, Metro and Mini models.

The 800 executive car range would be affected even though the car itself has long since diverged from the Honda Legend, on which it was based. However, Honda must supply other key components in it – notably the 2.7 litre Honda V6 engine – for as long as Rover wants to build the car.



Bernd Pischetsrieder (left), and Nibuhiko [illegible] the poker game begins

Buying and selling components: this is a normal arm's length customer-supplier relationship for most components, involving two-way transactions of close to £400m a year. For example, Honda sells facias to Rover for the Rover 600 and Rover sells Honda the body panels – produced at Rover's Swindon stamping plant – for the Honda Accord, which Honda produces at its own assembly plant in Swindon.

The contracts state supplies must continue for as long as each partner is producing a particular model.

However, these contracts are subservient to the licensing agreements. Honda considers that it could legitimately pull the plug on much of Rover's model range, even though Rover could still be legally required [illegible] providing body panels [illegible] pulling [illegible] would severely disrupt production [illegible] own plant [illegible]

Manufacturing [illegible] transfer: much of the equipment and tooling used by [illegible] 600 [illegible] were developed [illegible] by [illegible]

[illegible] equipment [illegible] and transferred [illegible] Longbridge plant, thus saving [illegible] heavy expenditures on developing production [illegible] A highly sophisticated multi[illegible] for body shells, for example, is from Honda Engineering. If Honda terminated the relevant agreements, however, Rover could maintain the equipment adequately for the life of current models.

[illegible] key element of [illegible] relationship [illegible] mainte[illegible] component supplier [illegible] its supplier [illegible] 160 companies [illegible] Rover, [illegible] with [illegible] suppliers [illegible] Rover's plants [illegible] at Swindon.

[illegible] of cars might [illegible] change [illegible] parts [illegible] updated [illegible]stantly [illegible] part of the Japanese-inspired philosophy [illegible] continu[illegible] improvement.

[illegible] by [illegible] partner [illegible] keeps track of 20,000 parts could bring chaos to production lines as component mismatches proliferated.

One measure of the trust Honda and Rover had developed is that the database for the Accord/Rover 600 is managed and maintained only by Honda at Swindon.

Working relationships: [illegible] BMW [illegible] have [illegible] depen[illegible] on Honda, and how [illegible] working relations had become.

"Honda-Rover [illegible] not only [illegible] business-based corpora[illegible] relationship", according [illegible] one senior Honda executive in Europe. [illegible] many engineers, [illegible] many managers and so many production people have worked closely together for 15 [illegible] working together [illegible] a quite unique experience for the Japanese people as well as the British and I believe that it could [illegible] mutual understanding between our [illegible] cultures.

"For most of the people involved in this [illegible]llaboration it [illegible] been not only their job but their life, including their families."

[illegible] Rover personnel went [illegible] Japan to [illegible] produc[illegible] start-up techniques [illegible] the Rover [illegible] And some [illegible] Japanese Honda [illegible] and their [illegible] went to Birmingham [illegible] stay [illegible] nearly three [illegible] in getting the project off the ground.

When Honda asked Rover [illegible] build [illegible] Concerto model at Longbridge, Honda opened its factories [illegible] them [illegible] back quality information. The information exchange has accelerated ever since. [illegible] not only information exchange [illegible] the [illegible] room [illegible] was hand-to-hand working together [illegible] floor", [illegible] Honda [illegible]

For its part, BMW can offer Honda the lucrative opportunity of continuing [illegible] work with [illegible] and, [illegible] example, [illegible] supply Land-Rover [illegible] four-wheel drive [illegible] for the Japanese market.

But Honda is sure of its bargaining power. As one senior Honda executive put it informally: "We hold a card hand of nine aces – but [illegible] public [illegible] know [illegible] fact."

74 per cent of Europa Minerals' shareholders accept Burmine offer

By Kenneth Gooding, Mining Correspondent

The £15m offer [illegible] Europa [illegible], the UK-quoted mining finance house, [illegible] accepted by holders of 74.4 per [illegible] capital by [illegible] first closing date, according to its adviser Samuel Mont[illegible]

Montagu said [illegible] acceptances included [illegible] Europa [illegible] by SBN Nominees [illegible] beneficially [illegible] by [illegible], the Australian [illegible] previously opposed the [illegible] Edon has [illegible] bid [illegible] Burmine, [illegible] Australian [illegible] making the [illegible] Europa.

However, [illegible] financial [illegible] relations [illegible]ers in London said there must be another explanation for SBN's acceptance as Mount Edon would not have accepted the Burmine offer for any of its Europa shares. Mount Edon owns 19.9 per cent of the UK company.

Burmine's offer has been extended until March 4 but the merger – a three-way affair also involving Austmin Gold, another Australian company, for which Burmine has made a friendly bid – cannot be completed until the result of various legal actions in Australia are known. Montagu said these might be cleared away this week.

Pulling the global pearls together

Andrew Adonis reports on Cable and Wireless' investment strategy

T[illegible] June [illegible] Wireless, the UK [illegible] communications [illegible] "pearls [illegible] around [illegible] world but lacks a thread to pull them together," reflected the thinking of some of the company's senior executives.

Mr James Ross – the urbane and determined former chairman of BP America brought in as chief executive two years ago by C&W's chairman, Lord Young – insists the company has now discovered the string to tie together a host of activities from Mercury in the UK to Optus in Australia, the challenger to the former Antipodean state telecoms monopoly.

"We are not just a holding company for a diverse range of telecoms activities: we make sense as a federation, and intend to strengthen the bonds between the different parts," said Mr Ross.

C&W, he argues, is currently undervalued because it does not attract the premium it deserves as a sum of more than its parts.

The essential bond the company has now discovered is a "coherent investment strategy" giving pride of place to growth in the Asia-Pacific region. This is the home of Hong Hong Telecom, C&W's richest pearl, which accounted last year for £554m of its £929m operating profit.

Mr Ross spells out what this priority means: [illegible] commitment "over [illegible] medium term" to devote Hong Kong Telecom's free cash flow to investments in the Asia-Pacific.

"Outside Hong Kong [illegible] have [illegible]vested [illegible] now [illegible] on growing other Asian opportunities."

[illegible] highlighted opportu[illegible] build and operate [illegible]works in under-developed Asian markets. [illegible] "great object" but, [illegible] telecoms racing [illegible] in all parts of the region, "not [illegible] sole magnet."

"Other companies" – for [illegible] BT [illegible] in [illegible] to be global providers [illegible] – "don't really [illegible] in [illegible] those [construction projects]. [illegible] playing [illegible] competitive [illegible] is not the big multinationals."

[illegible] also explicit about C&W's European strategy, [illegible] two-pronged. In [illegible] larger markets, like Germany and France, C&W will be the "Mercury [illegible] Europe", building networks to challenge the monopolies [illegible] operators as [illegible]

In [illegible] markets, [illegible] Portugal, [illegible] looking [illegible] opportunities to partner existing monopoly operators.

"We don't [illegible] enough [illegible] a national competitor, and the existing operators [illegible] an international player [illegible] us."

[illegible] will [illegible] the federation?

People, products [illegible] network capacity, [illegible] Mr Ross.

He pointed to the swapping [illegible] senior [illegible] like the [illegible] exchange [illegible] deputy chief executives of Mercury and Hong Kong Telecom; and he emphasised the convergence, in terms of services and marketing, of world telecoms markets. "Take Hong Kong: we have got competition there next year, and intend to make full [illegible] of [illegible] experience [illegible] the under-dog in Britain in facing it."

Mr Ross's strategy [illegible] immediate objection.

As a company less than a third the size of BT, how is [illegible] going to fund [illegible] expansion from [illegible] hubs worldwide – the third being the Caribbean region? Moreover, [illegible] to [illegible] Chinese, C&W arguably needs an image more regional [illegible] global.

Mr Ross implicitly accepted both points by playing down the investment outlays [illegible] expected [illegible] Asia-Pacific, and stressing the trend towards indigenous management, as reflected in the recent appointment [illegible] Linus Cheung, deputy managing [illegible] Cathay [illegible] Airways, [illegible] chief executive of Hong Kong Telecom.

"Partnership [illegible] the key", said Mr Ross.

"We can't even try to operate on our own in many places, but we have experience and networks that can bring a lot to any partnership, whether in China or Germany."

As for resources, he cited C&W's low gearing (about 13 per cent), suggesting an increase in spending from the current £1bn a year to £1.5bn to be "a responsible objective".

The strategy has clear attractions. Partnership between indigenous and overseas operators is the industry trend, from cellular mobile services in Europe and the US to basic line-building ventures in Asia.

For governments and indigenous telecoms operators, C&W has a top-notch name without being one of the large, perhaps more threatening, US or European forces.

The capacity to learn in one [illegible] to profit in another will give a [illegible] as competition advances. To benefit, it may not [illegible] much as presence that matters, and C&W's presence is more widely spread than most.

But if Hong Telecom's free cash flow is to go into Asia, a question mark must be raised over the European strand to C&W's thread, particularly if Mercury's profits are depressed by the explosion of competition in the UK. As Mr Ross puts it: "we don't have a home market: we only came back to the UK in the last 10 years."

Oyston puts Trans World stake up for sale

By David Wighton

Mr Owen Oyston, [illegible] flamboyant businessman [illegible] Blackpool [illegible] Club, has put up [illegible] his [illegible] cent [illegible] Trans World [illegible], the independent radio [illegible]. A further [illegible] cent, [illegible] by [illegible] of Mr Oyston, are also on the market.

The move is likely to trigger a battle for control of the company involving Emap, the publishing [illegible] 30 per [illegible] of the shares, [illegible] Guardian [illegible]

[illegible] current rules on cross-media ownership [illegible] Guardian could not increase its shareholding. But it might [illegible] a "safe" [illegible] for Mr Oyston's [illegible] in the expectation [illegible] rules will soon be [illegible]

[illegible] Emap [illegible] buy [illegible] and so [illegible] control, it [illegible] thought it would have to sell one of Trans World's stations to stay within the limits on market share. Trans World owns Piccadilly in Manchester, Red Rose in Lancashire, Red Dragon in South Wales and Aire in [illegible] Yorkshire. Emap already owns [illegible] Liverpool station [illegible] City.

[illegible] letting it be known [illegible] for [illegible] Mr Oyston said [illegible] "some quite seriously interested parties" had contacted him.

He needs the money to fund the £50m first phase of his long-planned redevelopment of Blackpool's stadium where planning permission "now [illegible] certain".

Trans World's shares, which closed up 11p at 159p on Friday, have risen by 60 per cent in the last three weeks.

Mr Oyston is looking to sell the stake at a premium to Friday's market price which valued [illegible] holding [illegible] almost £15m.

Endesa plans share offer to raise further Pta200bn

By Tom Burns in Madrid

Endesa, Spain's partially -privatised state-controlled electricity distributor and generator, [illegible] put 10 per cent of [illegible] equity [illegible] the market in the first half [illegible] an international public offering worth [illegible].

The offering, which will be managed by Goldman Sachs of the US, and Argentaria, the government-controlled domes[illegible] banking [illegible], will [illegible] aimed at international [illegible]. It [illegible] understood that a [illegible] tranche, representing just [illegible] half [illegible] equity offered, [illegible] placed with National Power of the UK and with Germany's RWE.

INI, the public [illegible] conglomerate which owns Endesa, placed 23 per cent of the utility on [illegible] market in [illegible] a further 10 per cent two years ago on the New York Stock Exchange in the form of ADRs.

Endesa's [illegible] net profit [illegible] Pta116.8bn, [illegible] cent from the previous year. Earnings per share rose to Pta449.2 from Pta408.

A further partial privatisation by Endesa had been expec[illegible] this [illegible] to [illegible] escalating general government deficit that threatens to rise to 8.5 per cent of GDP against an official 6.4 per [illegible] target. Other offerings of government-controlled equity to raise [illegible]nue [illegible] include Telefonica Internacional, [illegible] international [illegible] of [illegible] telecommunications group, and Tabacalera, [illegible] tobacco group.

Last year, as recession began to make strong inroads on the budget, [illegible] government's [illegible] conglomerate Repsol, [illegible] by [illegible] Sachs, realised Pta110bn [illegible] it placed [illegible] per [illegible] equity on the market, [illegible] Argentaria, using [illegible] Stanley as [illegible] co-ordinator, [illegible] in [illegible] public [illegible] offerings [illegible] brought public ownership [illegible] the [illegible] group [illegible] per [illegible].

Metallgesellschaft chief to spell out future strategy

By David Waller in Frankfurt

Metallgesellschaft, the troubled Frankfurt-based metals, mining and industrial group which came to the brink of collapse last month, will give the first full account of its future strategy [illegible] following [illegible] DM3.4bn [illegible] package – [illegible] the [illegible] explanation [illegible] the events which [illegible] near [illegible].

Tomorrow, Mr Kajo Neukirchen, [illegible] troubleshooter [illegible] chief [illegible] in December [illegible] press conference [illegible] from [illegible] Schimmelbusch.

Having kept [illegible] silence until now, but [illegible] uttered [illegible] a handful of short [illegible] releases, [illegible] will outline [illegible] plans [illegible] group, which [illegible] 58,000 employees working [illegible] 258 subsidiaries. He has already said [illegible] will be [illegible] redundancies and [illegible] numerous [illegible] will [illegible] sold – details will [illegible].

On Thursday, Mr Ronaldo Schmitz, the [illegible] is [illegible] chairman of Metallgesellschaft's supervisory board, will preside over [illegible] extraordinary [illegible] meeting. There are formal legal [illegible] for the meeting following [illegible] departure of Mr Schimmelbusch and [illegible] boardroom colleagues, but [illegible] supervisory board is expected to seize the opportunity to defend its own conduct throughout the affair.

While tomorrow's press conference is expected to focus on Metallgesellschaft's future, the annual meeting on Thursday will concentrate on the past. Mr Schmitz is likely to face a grilling from aggrieved shareholders anxious to know how it was that the supervisory board – consisting of some of the most distinguished names in German business – could have [illegible] prevent [illegible] near catastrophe.

The [illegible] by MG Corp, Metallgesellschaft's US trading subsidiary, [illegible] activities in the oil futures [illegible] expected [illegible] give rise [illegible] DM1.5bn loss in [illegible] current financial [illegible].

Critics will argue [illegible] meeting that beyond the imme[illegible] causes [illegible] Metallgesellschaft's [illegible] evi[illegible] "system [illegible]" reflecting [illegible] German [illegible] and the [illegible]. "If they didn't know what was going on, they failed in their duty to supervise," said the chief economist of a foreign bank in Frankfurt. "If they did know, there was a cover-up and that is equally bad.

"The problem is that the members of German supervisory boards are self-selecting; they are members of a club," the economist continued. "Shareholders are formally supposed to control the supervisory boards via the way they vote at annual meetings. But this does not work because the banks own big stakes themselves and can vote large stakes on behalf of other shareholders who lodge their shares for custody at the banks.

"Criticism has tended to be dismissed until now but the Metallgesellschaft case shows that there is a weakness which threatens the fabric of the German economy," he concluded.

Mr Schmitz has been praised by fellow board members for the [illegible] way he has led the supervisory [illegible] at Metallgesellschaft [illegible] he took over [illegible] chairman [illegible] April. He is likely to argue on Thursday that he was entitled be kept informed by the management board but that he was not kept in the picture.

Sega sees downturn in profit for year

By Paul Abrahams in Tokyo

Sega, the Japanese video games group, has warned that pre-tax profits will drop this financial year, the first fall in 12 years. The company blamed the decline on the strong yen [illegible] the [illegible] in Europe, which led to fierce price competition.

Pre-tax profits will fall by 24 per cent this year from Y55bn to Y42.5bn ($407m), it said. In November, the company forecast a rise to Y57.5bn. Turnover, which was expected to increase from Y346bn to Y380bn, will only reach Y351bn, it added.

The group said it expects profits to increase in the next financial year, helped by the opening of a series of theme parks in Osaka, Yokohama and Chiba. It also has plans for a joint venture with Universal to open a park in the US.

Profits next year will also be boosted by the launch of a new home multimedia video game system called Saturn using 32-bit microprocessors. Current consoles use 16-bit technology.

[illegible] consolidated [illegible] March 31 [illegible] with a previous [illegible] of Y480bn [illegible] year's figure [illegible]. Consolidated pre-tax profits would be Y20.5bn, compared with the previous forecast of Y65bn, and last year's result of Y57.4bn.

● The international credit reputation of corporate Japan was further damaged when Tokyo Electric Power (Tepco) was stripped of its triple-A rating by Standard & Poor's, the international credit rating agency. About $38bn of rated debt is affected, writes Antonia Sharpe.

The one-notch cut in Tepco's senior debt rating to double-A plus follows a series of downgradings over the past year of some of Japan's best-known companies, including Nissan, American Honda and Sony.

S&P said the downgrade of Tepco's rating, which has now been removed from CreditWatch, reflects the erosion of its financial profile.

German groups reluctant to list

David Waller examines a deep-seated cultural aversion of family-owned companies to the stock market

Last summer, Mr Ronaldo Schmitz, head of corporate finance at [illegible] Bank, made a brave prognosis. He predicted [illegible] in [illegible] medium to long-term, between 1,500 and 2,000 companies would come to the German stock market.

In retrospect, his prediction looks excessively optimistic. In spite of buoyant stock market conditions last year, only 11 companies went public – up from seven in 1992 but down from the 19 new issues in 1991 and 26 in 1990. Following last year's listings, the number of companies quoted on the eight German stock exchanges is now a modest 664.

Collectively, Germany's quoted [illegible] a market capitalisation [illegible] DM800bn [illegible] the [illegible] last year. This represents 30 to 35 per cent of Germany's GDP – far less than in the UK, the US, Japan or Hong Kong, where the stock [illegible] for [illegible] 60 [illegible] more than 100 per cent of GDP.

[illegible] figures [illegible] Germany's [illegible] market, [illegible] popular with [illegible] investors [illegible] (the [illegible] 30 leading [illegible] 46.7 [illegible] in [illegible] is underdeveloped.

The capitalisation of the German market is only the third largest in Europe – although Germany is Europe's largest economy. The total number of new issues in Germany over the last 10 [illegible] has [illegible] about 200 – compared with 180 in the UK last year alone.

"We looked on with envy at the number of new issues in [illegible] UK [illegible] year," [illegible] Mr Wer[illegible] Seifert, chief [illegible] (the German [illegible] exchange).

This [illegible] development [illegible] that investors [illegible] denied the opportunity to buy into important sectors of the German economy, such as food manufacturing or services, [illegible] there are [illegible] quoted companies in [illegible].

There are [illegible] German manufacturing companies with [illegible] DM100m or more, that being the size at which the owners of such companies could bring them to the stock market in they wanted to.

The problem is, as the meagre new issue statistics show, few owners of such companies want to bring them to the market. Why should this be?

[illegible] consideration [illegible] that [illegible] institutional [illegible] – pension [illegible] companies [illegible] the natural buyers of [illegible] shares – [illegible] on [illegible] ground in Germany.

In 1990, when the Bundesbank last published a study of the ownership structure of the German stock market, such institutions owned just 12 per cent of the market – compared with 55 per cent in the UK.

If institutional investors are under-represented on the German stock market, so are pri[illegible] households, [illegible] share [illegible] stock market ownership dropped from [illegible] per cent in 1960 to 17 per [illegible] in [illegible].

In the case of new issues, investors' suspicions have [illegible] underscored by aggressive pricing. [illegible] recent study [illegible] Schröder Münchmeyer Hengst, the German bank owned by Lloyds Bank of the UK, shows that [illegible] issues have [illegible] proved to [illegible] rewarding investments [illegible] 1992–93. Only two [illegible] the 1992 new [illegible] outperformed the [illegible] last [illegible] fell in price and [illegible] went bankrupt.

If [illegible] explain why there [illegible] limited demand for [illegible] in new companies, they [illegible] problem of supply. [illegible] large "mittelstand" companies could [illegible] they [illegible] to. [illegible] they [illegible] a deep-seated cultural [illegible].

"Why should I share my independence with anyone else," [illegible] Mr [illegible] Würth, proprietor [illegible] Würth [illegible] a [illegible] of [illegible], fasten[illegible] products [illegible] by [illegible] building [illegible] turn[illegible] more than DM3bn and [illegible] profits growth [illegible] 40 [illegible] easily [illegible]. "But why should I [illegible] as I can [illegible] my growth [illegible] profits [illegible]" Mr Würth [illegible].

This sentiment [illegible] expressed time and time again by family owners of companies which in the [illegible] UK would almost without exception be listed.

The reason is that the [illegible] from private company [illegible] quote company [illegible] forces [illegible] reorientation of priorities. "It is [illegible] big step [illegible] managing the business with a view to paying [illegible] small [illegible] tax bill as possible [illegible] generating profits for out[illegible] shareholders," [illegible] an official at Commerzbank.

"Owners do not want the publicity [illegible] with [illegible] quote," [illegible]. "They are [illegible] particularly interested in money, either – they are rich enough already. They are more concerned not [illegible] lose [illegible] special position within their local community [illegible] are acutely [illegible] their power and influence will disappear. If they sell, they [illegible] merely rich – as the proprietor of [illegible] company they really are [illegible]body."

Even when a family [illegible] list, it rarely abandons control [illegible] vagaries [illegible] the [illegible] market. Thus [illegible] BMW group – majority-owned by [illegible] Quandt family – can enjoy the benefits [illegible] the [illegible] market without changing [illegible] character [illegible] a (very large) family business.

Analysts predict [illegible] the number of [illegible] will [illegible] end of [illegible] current decade. But [illegible] unlikely that [illegible] Anglo-American "equity culture" will be take root in Ger[illegible] until well into [illegible] 21st century.

NEWS DIGEST

Dutch insurer to withdraw from Belgium

Aegon, the Dutch insurance group, has decided to withdraw from the Belgian market and sell its insurance activities there to Almanij-Kredietbank, the Belgian savings bank group, writes Ronald van de Krol in Amsterdam.

Neither company would disclose the price commanded by Aegon's Belgian [illegible] business, which generates [illegible] income [illegible] around BFr3.5bn ($95m).

The transaction will more [illegible] Almanij's pre[illegible].

Aegon [illegible] was [illegible]ing [illegible] Belgium [illegible] the absence of expansion opportunities and the fact that its insurance activities lacked the necessary critical mass.

Second bid for America West

A group [illegible] investors led by [illegible] Bonderman, the [illegible]man [illegible] Continental Airlines, has launched a bid to bring America West, the ninth larg[illegible] US airline, out of bankruptcy, writes [illegible] in New [illegible].

The terms [illegible] the [illegible] bid were not disclosed, but [illegible] – the group led by Mr Bonderman – is the second bid for America West. Mr [illegible] Steinhardt, [illegible] New [illegible] manager, [illegible] willing to invest $250m in the airline. America [illegible] must [illegible] by Thursday.

Air Canada on the way back to black

Air Canada, having settled its two-year dispute with rival [illegible] International over ticket [illegible] systems, is "on [illegible] profitability [illegible] 1994," [illegible] Mr Hollis Harris, [illegible] writes Robert [illegible] in [illegible].

An improving North American airline market, new international and regional routes and more gains in productivity should make the turnround possible, he said in a preliminary report for 1993.

The airline posted losses for the three previous years. Operating results in 1993 showed a profit of C$77m (US$57m) against a loss of C$145m in 1992. But after special items totalling C$263m, there was a final net loss of C$326m, or C$4.23 a share, against a loss of C$454m, or C$6.13.

The special items included a C$80m provision for its remaining investment in GPA, C$31m for its investment in the [illegible] reserva[illegible] system [illegible] C$76m for further [illegible].

The Markets

THIS WEEK

Global Investor / **Martin Dickson in New York**

A task for testimony

Fundamental US economic factors should simultaneously [redacted] strengthen[redacted] the dollar [redacted] the [redacted] months. The economy is expanding [redacted] strong clip – many economists are forecasting [redacted] growth [redacted] to [redacted] per [redacted] this [redacted] – [redacted] has [redacted] to tighten monetary policy.

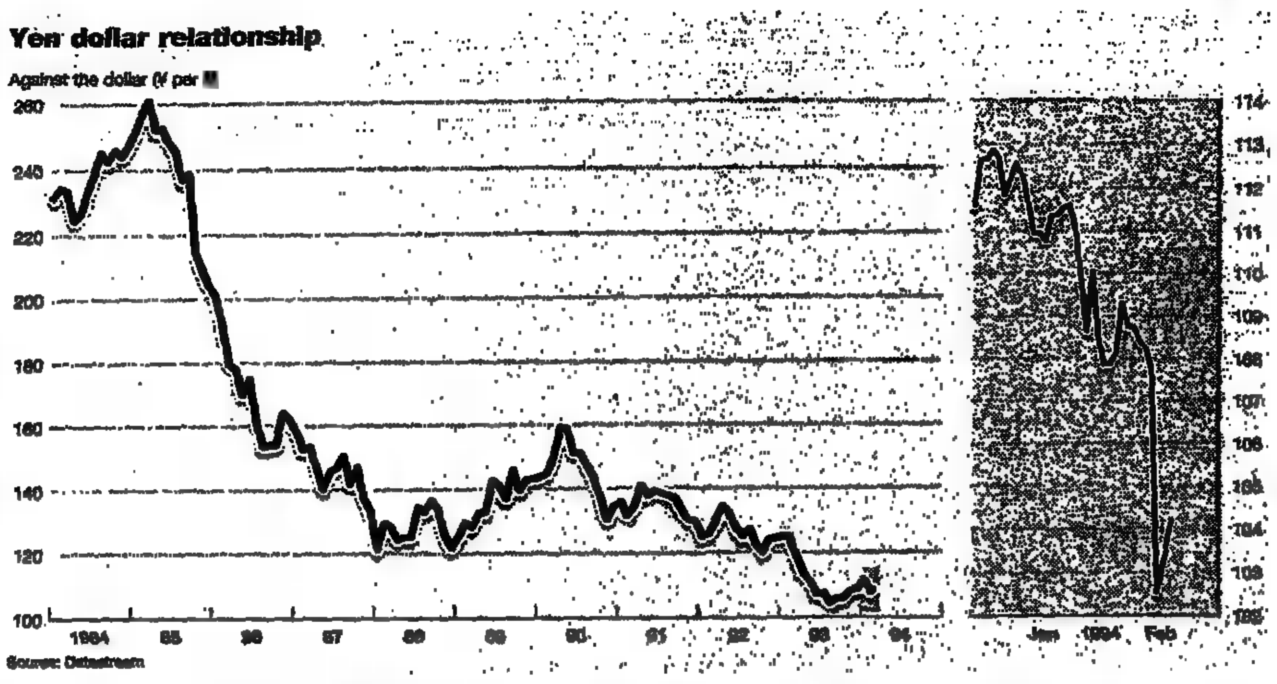
However, [redacted] central bank, which raised [redacted] by 25 basis points [redacted] the [redacted] month, [redacted] tighten [redacted] notch or two before it allays [redacted] jitters which [redacted] overtaken [redacted] Treasury bond [redacted] the [redacted] few [redacted].

[redacted] a sharp drop in price [redacted] Friday, [redacted] last [redacted] with a yield of 6.62 per cent, up from [redacted] earlier, [redacted] analysts now think yields could rise [redacted] between [redacted] 7 per cent before stabilising and [redacted]ing direction, and that could feed through to a significant dip in equity indices.

The bond market has yet to be convinced that inflationary [redacted] are under control. This [redacted] graphically demon[redacted] on Thursday [redacted] bearish traders brushed aside a healthy January reading for the consumer price index and focussed instead on [redacted] much more narrow measure of price increases, from the Philadelphia [redacted] Board, which showed a significant increase. The week's fall in the dollar relative to the yen will also have fed fears of imported inflation.

The market may not regain its composure until there is a run of slow-growth statistics, or until after further rounds of Fed tightening, [redacted] bearish for bonds in the short term. Many analysts expect the Fed Funds rate to rise from 3.25 per cent [redacted] months, with some predicting 4 per cent by mid-year.

However, short-term sentiment could be powerfully [redacted] Tuesday by Mr [redacted] Greenspan, the Fed chairman, [redacted] will deliver his semi-annual Humphrey-Hawkins testimony on monetary policy to Congress. At the very least, he is expected to reaffirm his recent testimony before a Congressional committee that the strength of [redacted] economic expansion means the Fed must become less "accomodative."



Source: Datastream

Huffing and puffing the Yen up

Is the time fast approaching to sell the Japanese Yen? The question is prompted by the surge in the currency relative to the dollar over the past week following the breakdown of US-Japanese trade talks and threats by Washington to take fresh trade sanctions against Tokyo.

The coming week will produce a great deal more huffing [redacted] puffing from the two capitals, and this is likely to keep [redacted] relationship [redacted] currencies volatile, with the possibility of further Yen appreciation from the rate of 104.60 to the dollar reached in late Friday trading.

The Yen's sharp rise stems from the market's expectation that Washington will "talk up" the Japanese currency to put negotiating pressure on the [redacted] Government. And the mere anticipation of such a move has obviated the need for overt action by the US, which has sat back and tacitly accepted the Yen's advance.

This week the Clinton administration is expected to unveil tougher action to force the Japanese to accept numerical import quotas and reduce their trade surplus.

In Tokyo, where the Bank of Japan [redacted] intervening heavily to hold [redacted] the [redacted] advance, [redacted] Government [redacted] reported to be drafting voluntary trade concessions in an attempt to head off the dispute, and it may want to have a plan ready by next Saturday, when Finance Ministers from the G7 nations meet in Frankfurt.

The market suspects the Japanese may ask the G7 to intervene to support a rate of Y110 to the dollar, which officials in Tokyo argue is more reflective of economic fundamentals.

Certainly, as Ravi Bulchandani of Goldman Sachs points out, the real effective yen exchange rate is well above any level that the currency has been able to sustain in the past.

And prolonged continuation of the current rate will hurt the Hosokawa administration, undermining its [redacted] stimulus package, hitting cor[redacted] profitability and stock prices, and possibly prolonging [redacted].

[redacted] policy-makers [redacted] to [redacted] genuine [redacted] Japan, and the knowledge that prolonging [redacted] ultimately harmful [redacted] exports and geo-political [redacted].

Tokyo, for [redacted] part, seems [redacted] policy options. [redacted] considerable ground to the US on trade issues, while appearing to stand firm on numerical targets to shore up the Government's weak domestic political position.

The other is to take pressure off both the yen and the domestic economy by a further cut in interest rates. Yasushi Mieno, the governor of the Bank of Japan, maintained last week that interest rates were sufficiently low to support economic activity, but many analysts in [redacted] expect easing [redacted] in the near [redacted]. Whatever the policy mix, it should exert downward pressure on [redacted].

Bundesbank action

The dollar should strengthen against European currencies over the next few months as European interest rates continue to fall and as political uncertainty mounts in Germany, with the approach of länder and national elections.

The downward trend of European rates was reconfirmed on Thursday with the Bundesbank's announcement of a 50 basis point cut in the discount rate, which may have been delayed a couple of weeks as the bank weighed up the impact on the D-Mark of the Fed's tightening action.

In the event, the dollar has been sliding against the D-Mark, dragged down by its yen weakness, and the fall perversely persisted to the end of last week, despite the Bundesbank's rate cutting action.

However, it may be a week or two before the Bundesbank cuts its most important instrument, the repo rate, which it left unchanged at 6 per cent.

It could be holding back until it sees further progress in talks to avert national engineering strikes, better inflation figures, or the March 1 implementation of a cut in commercial banks' minimum reserves.

SG Warburg's international bonds team argues that with inflation likely to fall from 3.5 per cent to 2.5 per cent by the end of the year, there is a good chance the discount rate will fall at least 1 per cent further towards a trough early in 1995 of 4 per cent, with the repo rate about 25 basis points higher.

Although the Bundesbank's action was widely imitated across Europe on Thursday, France failed to match the cut.

But the weakness [redacted] the French economy means that it will surely follow suit before long, possibly waiting for the repo [redacted] drop first.

Total return in local currency to 17/2/94

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.06	0.04	0.12	0.12	0.16	0.09
Month	0.26	0.20	0.51	0.55	0.71	0.45
Year	3.69	6.16	7.31	9.50	11.13	5.83
Bonds 3-5 year						
Week	-0.20	-0.09	0.04	-0.17	-.91	0.21
Month	-0.87	-0.92	-0.52	-0.76	-0.58	-0.16
Year	5.53	6.81	10.19	15.15	22.89	9.99
Bonds 7-10 year						
Week	-0.47	-0.47	-0.35	-0.07	-0.83	0.47
Month	-1.58	-1.09	-1.41	-1.15	-1.08	-1.04
Year	9.26	8.05	12.10	19.34	33.33	15.87
Equities						
Week	0.9	-2.3	3.9	-1.1	-1.2	0.7
Month	-0.1	3.6	0.8	1.9	10.0	1.1
Year	11.7	22.4	30.4	29.0	42.8	28.5

Best performing stocks from FT-A World Indices in local currency to 17/2/94

	Close	Week	Month	Year
	% change			
Asia Pacific Land (Mal)	3.60	34.1	31.4	260.0
Dino Feiguera (Spa)	889.00	25.9	33.9	-12.3
Lotus Dev. (USA)	66.50	19.8	18.2	187.8
Columbia Gas (USA)	29.13	14.2	28.7	38.3
Engelhard Corp (USA)	26.88	13.6	2.8	1.1
Unidanmark A (Den)	248.00	12.3	7.8	72.3
Batica Comm. (Ita)	5,352.00	11.9	20.3	59.6
[illegible] (Sa)	23.50	11.9	-12.1	91.8
Total Petroleum (Can)	20.00	11.8	23.1	142.4
Nachi Fujikoshi (Jap)	397.00	11.8	19.9	7.0

Source: Cash & Bonds - Lehman Brothers. Equities - © NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co. and NatWest Securities Limited.

Bullish on Japan

Could the current strength of the yen be due in small part to foreign investors, who have been substantially underweight in Japanese stocks, placing an early bet on economic recovery?

A straw in the wind could be the latest thinking of Morgan Stanley strategist Barton Biggs, who thinks the pivotal economic event of the year in certain respects "will not be the gradual rise in US interest rates, but rather an [redacted] and strong economic recovery in Japan".

In Biggs' view, such a revival would be bullish for the world economy, Japanese stocks, Australia (Japan's natural [redacted] supplier), oil prices and maybe [redacted] (natural gas, tin, palm oil).

But, he adds, it could be bearish for Japanese bonds, the yen (as the trade surplus shrinks), and probably for Hong Kong and other Asian rim markets where Japanese money has gone.

He cautions that both the government's economic stimulus programme and the survival of the prime minister are in doubt, but points out that "even depressions and secular bear markets don't last forever, and stock market bottoms are build from discouragement and despair."

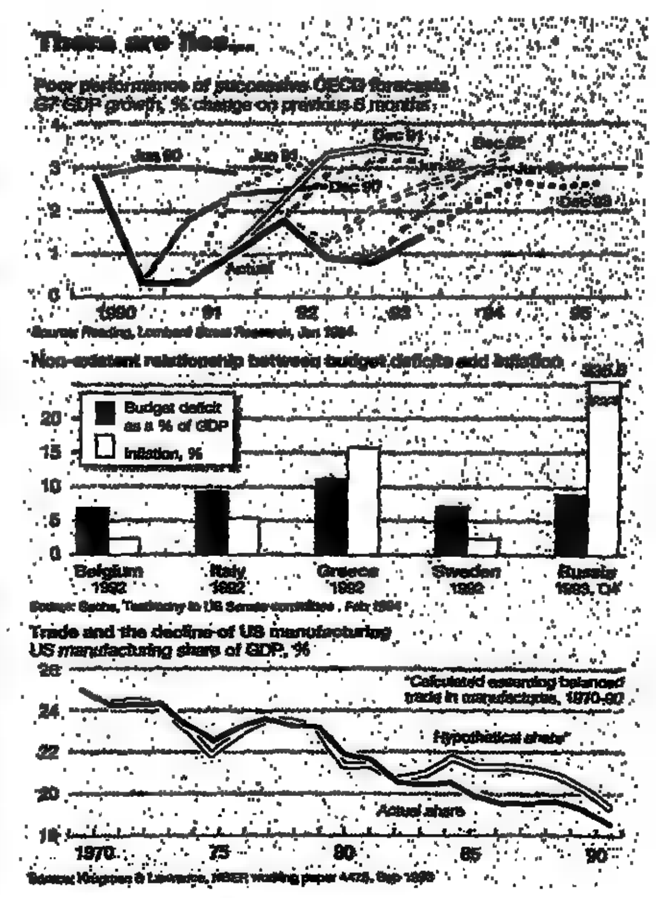
Economic Eye / **Edward Balls**

No advantage in pseudo-scientific futurology

The willingness of newspapers to report the outpourings of model-based forecasters [redacted] economists a terribly bad name. If manipulating giant and complex statistical models of the world economy delivered reliable results, then all would be fine. But the recent record of the UK Treasury, the International Monetary Fund or the Organisation for Economic Co-operation and Development has been miserable.

Anyone who doubts just how bad these models are at predicting cyclical turning points only need glance at the upper chart for a damning confirmation.

Economics is just not suited to the kind of pseudo-scientific futurology that these models purport to deliver. Engineering scientists can use theory and the results of controlled experiments to make accurate predictions about, say, the weight a bridge will bear before it falls. But economists do not have the tools, or the information, that the engineer has to work with when they try, for example, to predict with any accuracy when the aggregate consumer savings ratio will fall.



Economic theory provides a powerful conceptual framework, but much of it is based on implausible assumptions about the rationality of human responses. Study of the statistical past can indicate plausible causal relationships, but testing an economic inference about aggregate consumer behaviour using [redacted] experiments is almost always impossible.

Not [redacted] economists can afford to stop trying to predict the future. But, if economists are useful to have around, it is because of their deeply-ingrained scepticism, their willingness to doubt assumptions or ask whether the conclusions really follow.

The [redacted] UK City [redacted]mists, most of whom eschew large-scale models, are successful precisely because they continually doubt whether the future will be like the past. Their value lies in analysis, although it their forecasts which make the headlines.

The problem with the OECD and other large-scale forecasters, aside from their ridiculous claims to accuracy, is that their statistical models always require them to look back to the future, finding patterns in the past to predict how tomorrow will be. In this recession, albeit a little late, OECD economists produced some typically good analysis [redacted] the historically unprecedented debt burdens facing UK, US or Japanese companies and consumers. [redacted] the implications for the pace of recovery [redacted] not incorporated into their forecasts, [redacted] until the [redacted] woefully erroneous forecasts had [redacted] terrible damage to its forecasting reputation.

Yet the danger really starts when macro modellers gradu[redacted] policy making and try [redacted] elevate past statistical relationships to [redacted]rthodox policy doctrine. Remember, for example, the UK Treasury's repeated statements during the final months of sterling's membership of the European exchange rate mechanism. In or out for the ERM, the UK could not cut interest rates below those in Germany they said. Even a modest devaluation would inevitably lead to higher inflation, they feared.

Neither assertion seemed plausible at the time, given the depressed state of the UK economy. And both have been proved wrong since. But the Treasury has still not cottoned on. Worried [redacted] the resurgence of post-devaluation inflation, it has cut rates much more modestly than the US Federal Reserve has done with no apparent inflationary [redacted]. If growth remains sluggish, the Treasury will eventually sanction further cuts, although history suggests they will come too late and stay low too long.

The failure of the [redacted] to engage with Russian reformers or provide funds for a successful [redacted] provides [redacted] example of [redacted] shortcomings [redacted] model-based, rule-bound, apolitical economics. The IMF has doggedly clung to the details of its standard programme, tried and tested in Latin America, which makes any release of funds conditional on the prior closing of the budget deficit, even though state spending cuts and the associated rise in unemployment were politically impossible in Russia.

But, as Professor Jeffrey [redacted] University has repeatedly pointed out, [redacted] is nothing inherently inflationary [redacted] budget deficit so long as it is financed by external finance rather than printing money. The point of western aid should have been to [redacted] price level before the government started the painful task of cutting state subsidies. To make aid a reward for success has merely made failure inevitable.

Prof Sachs criticism of the IMF is a good example of economics at its best, challenging conventional wisdom not with the black box of an econometric model but through a close study [redacted] all the a[redacted] evidence. Economic analysis is [redacted] powerful [redacted] it [redacted] together [redacted] number of theoretical insights and statistical relations to build a convincing alternative view.

Take the Ross Perot charge that import penetration from developing countries is undermining employment in US manufacturing industry. Is he right? No, say Robert Lawrence and Paul Krugman of Harvard and MIT, the decline in manufacturing is much greater than can be explained by trade penetration, as the lower chart shows. Yes, says Adrian Wood of Sussex University, for their alternative explanation – technological change favouring skilled workers – is also driven by the threat of external competition.

Whether the question is how to aid Russia, why consumer spending is so sluggish or the case for wage subsidies in east Germany, the same methodology works best. Macro modellers, be they the OECD, the IMF or the Treasury, should put away their crystal balls and get back to economics.

This is Edward Balls' last column. He is leaving the FT to become economics adviser to the UK shadow chancellor, Gordon Brown MP.

EMERGING MARKETS: This Week

The Emerging Investor / Tony Walker

Rough riding ahead in China

China's fledgling stock markets are set for another bumpy year while [illegible] digest implications of a new tax law, a government [illegible] limiting funds available for investment, and [illegible] ing attempts to conclude a new securities law.

Judging by sharp fluctuations in [illegible] of the [illegible] of both the yuan-denominated [illegible] and dollar B-share [illegible] – they [illegible] recovering [illegible] ground – [illegible] jittery.

Investors are likely [illegible] tinue to be distracted by plans [illegible] float a [illegible] exchanges, by talk of a third stock exchange by the end of [illegible] year, and by [illegible] credit crunch [illegible] herald the beginning of a recession.

Other [illegible] depressing [illegible] improving bond yields and a rash of new [illegible]. Twelve-month treasury bonds yielding [illegible] proving appealing to institutional and individual [illegible] ors.

The new tax law is another factor dragging markets down [illegible] unclear whether [illegible] are liable for capital gains tax on top of charges on share [illegible] and tax on dividends.

But [illegible] there [illegible] Chinese investors and foreign [illegible] warily testing [illegible] markets, it [illegible] in [illegible] apparent commitment of [illegible] regulators [illegible] economic liberalisation, [illegible] regulatory procedures.

[illegible] Li Yining, one [illegible] China's most influential [illegible] mists and the head of a parliamentary committee drafting the new Securities Law, [illegible] additional steps [illegible] public trust in capital markets are vital for mar- [illegible]

China's [illegible] Law [illegible] now in its [illegible] draft [illegible] Li hopes that by the end of this year it will be implemented, although a number [illegible] to be resolved.

[illegible] over the [illegible] self-regulation to be allowed to local exchanges; over whether over- [illegible] trading will [illegible] permitted; and whether [illegible] opposed to [illegible] by institutions [illegible] individuals) should [illegible] the market.

[illegible] this will [illegible] the [illegible] losing [illegible] of state enterprises.

Prof Li [illegible] stronger central [illegible] but says that given powerful provincial [illegible] it would be difficult for a body like the US [illegible] and [illegible] Commission to emerge in China.

[illegible] OTC trading should be permitted, [illegible] it would only encourage a "black market".

And, finally, he [illegible] that [illegible] traded, [illegible] "they are [illegible]"

Ten best performing [illegible]				
[illegible]	Country	Friday [illegible]	Week on week change $	[illegible]
Alarko Holding	Turkey	1.1206	[illegible]	[illegible]
Arcelik	Turkey	[illegible]	0.4410	[illegible]
Eregli Demir [illegible] Celik	Turkey	[illegible]	0.0960	[illegible]
Yapi Ve Kredi Bankasi	Turkey	[illegible]	[illegible]	[illegible]
[illegible] Biracilik	Turkey	[illegible]	1.4209	[illegible]
Eczacibasi Ilac	Turkey	0.9991	0.3228	47.74
Eczacibasi Yatirim	Turkey	0.4266	0.1341	45.82
Koc Holding	Turkey	[illegible]	0.6896	44.93
[illegible]	Turkey	0.5400	[illegible]	43.86
[illegible]	Turkey	[illegible]	0.3207	[illegible]

Source: Baring Securities

[illegible] importantly, however, Prof Li sees the development of [illegible] equity markets [illegible] ing process of corporatisation and privatisation. "If we don't [illegible] up shareholding [illegible] rate government and management," he [illegible]

Among [illegible] authorities' [illegible] urgent tasks is the effort [illegible] "corporatise" – [illegible] half-way [illegible] privatisation in which enterprises are [illegible] control – [illegible] fully privatise [illegible] the faltering state sector. This involves dealing [illegible] vexed property rights issue.

Until [illegible] question of ownership of state assets is resolved, and [illegible] should be responsible for disposing of [illegible] assets, [illegible] of unravelling state control will [illegible] difficult, [illegible] impossible.

Various creative [illegible] have [illegible] advanced, including channelling [illegible] into a special "State Investment Corporation" which would [illegible] responsible [illegible] divestiture; [illegible] transfer of assets from the government itself to larger enterprises; [illegible] provincial commissions [illegible] would also be entrusted with [illegible] of selling [illegible] state assets.

These solutions are [illegible] in [illegible] form [illegible] another [illegible] law on "Controlling State Assets" [illegible] ted recently [illegible] Council, [illegible]. This [illegible], together with a new Corporate Law due to come into effect in July, should go [illegible] towards providing [illegible] legal basis for a rational process of divestiture.

Prof Li himself favours a [illegible] of [illegible] various approaches mentioned [illegible] together with full privatisation for smaller enterprises, and mixed state and private ownership [illegible] larger [illegible] along [illegible] lines [illegible] French or Scandinavian models.

Foreign [illegible] experts believe that China is slowly moving towards having a "pretty good" regulatory framework, although they criticise what they regard [illegible] arbitrary approach by the Securities Regulatory Commission – the national securities watchdog – [illegible] selecting companies for [illegible] listing.

They [illegible] that [illegible] batch of 23 companies selected [illegible] listing abroad – [illegible] mainland companies [illegible] in Hong Kong last [illegible] – there [illegible] a preponderance [illegible] companies, including three [illegible] Shandong province alone. This suggests a less than rational approach in [illegible] process, and [illegible] reflects, [illegible] doubt, powerful lobbying at [illegible] centre.

Premier Li Peng's family, for example, has long been connected with the [illegible] company, Huaneng International, which is among the candidates for foreign listings [illegible]

In light of the squeeze on credit – [illegible] placed a ban on bank lending for new capital spending – pressures to be allowed to venture into international capital markets are certain to grow. [illegible] evolving regulatory apparatus faces no easy task in a surging transitional economy undergoing a rapid and somewhat chaotic transformation to a market-oriented system.

News round-up

Strategy

Mr David Roche of Morgan Stanley has put his bet on [illegible] as [illegible] Europe's answer to a 'tiger economy'. Addressing himself [illegible] longer time horizon than many analysts – in a research paper called "2001: an investment odyssey" – the global strategist suggests that the [illegible] and Hungarian republics will also [illegible] well, "but unlike Poland they do not offer the double advantage of having a large and growing market, as [illegible] a cheap manufacturing base."

As for emerging markets in general, he forecasts that several of the world's restructuring economies will fail [illegible] transform: "this could damage the emerging markets mania sweeping the [illegible] world."

Poland

[illegible] finance minister is to ask the stock exchange [illegible] to consider suspending trading in [illegible] Slaski until all investors obtain equal access.

[illegible] Thursday [illegible] its stockbroking licence [illegible] by [illegible] following charges that it had mismanaged its own privatisation. It has been given six months to wind down [illegible] operations.

Ing of the Netherlands has a 25.9 per cent [illegible] in the bank.

Kenya

[illegible] government [illegible] scrapped several foreign currency controls, [illegible] bring the country close to its declared aim of [illegible] liberalisation. Kenyans living overseas will be allowed unlimited local borrowing to finance local investment, [illegible] restrictions on [illegible] borrowing by foreign-controlled companies will also be lifted.

[illegible] remain on capital [illegible] and rules barring foreign investors from trading [illegible] stock market.

Israel

The [illegible] market [illegible] down 6 [illegible] week, depressed by the recent arrest of two portfolio [illegible] by [illegible] authority on suspicion of manipulating securities for the eight companies they managed. A third person, Mr Amos Weiss, a leading portfolio [illegible] with [illegible] Shk1bn [illegible] $335m) under management, was released on bail last week also after questioning on suspicion of stock manipulation.

Nigeria

Activity on the stock exchange [illegible] slightly [illegible] muted in 1993 [illegible] in the previous year, the authorities reported last week. According to [illegible] estimates shares put on 39 per [illegible] in 1993 compared with a 41 per cent rise in [illegible]

The [illegible] exchange also reported that [illegible] new companies [illegible] listed [illegible] the daily official list in 1993, up from 12 in 1992. At present there are 175 [illegible] companies, with a market capitalisation of [illegible]

Romania

[illegible] of vouchers will be able [illegible] them for shares in [illegible] state enterprises from May, when [illegible] Private Ownership Fund issues its first list of companies to be privatised through public offerings. The country's five regional funds hold a 30 per [illegible] in [illegible] 6,000 [illegible] enterprises designated for privatisation over the next seven to 15 years.

Budapest

[illegible] government has drawn up a short list of privatisation consultants to help float shares of Matav, the [illegible] on the Budapest stock exchange by the middle of this year.

[illegible] Securities emerging markets indices

Index	18/2/94	Week on week [illegible] Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
[illegible] (239)	[illegible]	-1.11	-0.61	11.44	6.73	13.19	[illegible]
Latin America							
Argentina (19)	136.60	2.93	2.19	19.56	16.71	21.22	18.39
Brazil (18)	205.18	-5.74	-2.72	19.54	10.53	65.53	[illegible]
Chile (12)	184.52	6.96	3.92	20.78	12.69	[illegible]	25.06
Mexico (22)	174.69	-1.97	-1.11	17.59	11.20	[illegible]	8.33
Latin America (71)	179.68	-1.12	-0.62	[illegible]	[illegible]	30.43	20.39
Europe							
Greece (14)	97.42	2.45	2.58	-8.28	-7.84	[illegible]	17.24
Portugal (13)	134.05	6.81	5.35	14.00	11.66	21.92	19.55
Turkey (22)	133.52	36.16	35.75	-41.95	-23.91	-28.19	-17.43
Europe (49)	120.87	11.03	10.04	-6.23	-4.91	8.63	7.69
Asia							
Indonesia (17)	169.80	-6.94	-3.93	-5.02	-2.87	-1.24	[illegible]
Korea (23)	125.97	1.72	1.38	16.12	14.68	16.27	[illegible]
Malaysia (21)	211.75	-6.59	-3.02	-6.58	-3.02	-41.30	[illegible]
Philippines (9)	299.88	1.73	0.58	11.37	3.94	-22.82	-7.01
Thailand (20)	237.32	6.06	2.63	2.42	1.03	-26.23	[illegible]
Taiwan (29)	147.90	-15.68	-9.58	-1.69	-1.13	-5.81	[illegible]
Asia (119)	201.88	-4.50	-2.19	0.73	0.38	-19.74	[illegible]

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

CURRENCY MARKETS — Philip Gawith

Focus on Greenspan testimony

Following last [illegible] Bundesbank-led easing of monetary [illegible] across [illegible], attention now switches to Mr Alan Greenspan, chairman of the US Federal [illegible], who delivers his Humphrey-Hawkins testimony to the House Banking sub-committee tomorrow.

Mr Greenspan's [illegible] appearance, where he is called to explain his views on the economy, will be watched for indications of the likely future course of US monetary policy. The Fed lifted interest rates by [illegible] points earlier this month, the first tightening of policy in five years.

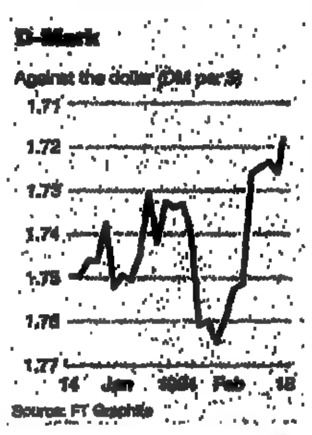
[illegible] that move was well received, the dollar has subsequently weakened on the back of a trade dispute with Japan. The dollar last week fell to a six month low of Y101 against the yen and was generally weaker across the board.

Since the tightening of policy, US economic data has presented a mixed picture, [illegible] some to [illegible] whether the Fed might [illegible] prematurely. Weakness in US bond prices, however, [illegible] that [illegible] investors [illegible] the Fed [illegible] respond to some inflationary signs with a further [illegible]. Given this uncertainty, Mr Greenspan is sure to be closely questioned [illegible] ascertain his views on the [illegible] for inflation and interest rates.

In Europe attention will focus on Germany and France. While last week's cut in the discount rate by the [illegible] bank has paved the way for a cut in its key repo rate, few see this [illegible] until the [illegible] dispute in the engineering industry is resolved.

France, meanwhile, [illegible] the only key EMS country not [illegible] cut rates last week. Thursday's meeting of the council of the Bank of France will provide an opportunity to fall into line. Mr Neil MacKinnon, chief economist at Citibank, argues that pressures are building on France to ease policy.

The G-7 meeting of finance ministers and central bankers takes place in Frankfurt on Saturday. US/Japan trade tensions will probably top the agenda. The meeting may provide the spur for Japanese proposals aimed at breaking the logjam.



Source: FT Graphite

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday February 11, 1994. In [illegible] cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated [illegible] those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2721.68	1856.15	1059.84	[illegible]
Albania	(Lek)	[illegible]	[illegible]	82.5267	101.511
Algeria	[illegible]	[illegible]	36.3472	13.7616	[illegible]
Andorra	[illegible]	8.7300	[illegible]	3.3989	6.6179
	(Sp Peseta)	209.965	142.525	81.3648	132.099
Angola	(New Kwanza)	[illegible]	6921.75	[illegible]	6415.12
Antigua	(E Carr $)	[illegible]	2.6992	[illegible]	2.4916
Argentina	(Peso)	[illegible]	0.999	0.5697	0.926
Aruba	(Florin)	[illegible]	1.7823	1.0174	1.6518
Australia	[illegible]	[illegible]	1.3959	0.7969	[illegible]
Austria	(Schilling)	[illegible]	12.326	7.0376	11.4257
Azores	(Port Escudo)	[illegible]	[illegible]	[illegible]	163.969
[illegible]	(Bahama $)	[illegible]	1	[illegible]	0.9268
[illegible]	(Dinar)	[illegible]	0.377	[illegible]	0.3494
Balearic Is	(Sp Peseta)	[illegible]	142.525	81.3648	[illegible]
Bangladesh	(Taka)	[illegible]	[illegible]	22.4356	[illegible]
Barbados	[illegible]	2.9365	2.0026	1.1432	[illegible]
Belgium	(Belg Fr)	[illegible]	35.1590	20.6420	33.5135
Belize	(B $)	2.9200	1.9914	[illegible]	[illegible]
Benin	(CFA Fr)	[illegible]	585.376	[illegible]	[illegible]
Bermuda	[illegible]	[illegible]	1	0.5708	[illegible]
Bhutan	(Ngultrum)	[illegible]	31.3679	[illegible]	[illegible]
Bolivia	(Boliviano)	6.5984	4.5	2.5689	[illegible]
Botswana	[illegible]	3.8200	[illegible]	[illegible]	2.4149
Brazil	[illegible]	[illegible]	[illegible]	[illegible]	602.895
Brunei	(Brunei $)	[illegible]	1.599	0.9046	[illegible]
Bulgaria	(Lev)	[illegible]	[illegible]	[illegible]	[illegible]
Burkino Faso	(CFA Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Burma	(Kyat)	9.4776	[illegible]	[illegible]	5.9904
Burundi	(Burundi Fr)	365.60	[illegible]	139.981	249.934
Cambodia	(Riel)	3110.00	[illegible]	[illegible]	[illegible]
Cameroon	(CFA Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Canada	(Canadian $)	[illegible]	1.3437	[illegible]	[illegible]
Canary Is	(Sp Peseta)	[illegible]	142.525	[illegible]	[illegible]
Cp. Verde	(CV Escudo)	109.3320	[illegible]	[illegible]	68.4735
Cayman Is	(CI $)	[illegible]	[illegible]	[illegible]	[illegible]
Cent.Afr. Rep	(CFA Fr)	[illegible]	[illegible]	[illegible]	[illegible]
Chad	(CFA Fr)	873.00	595.376	339.887	551.798
[illegible]	(Chilean Peso)	626.9895	426.95	244.678	397.554
[illegible]	(Yuan)	12.7677	[illegible]	[illegible]	8.07
[illegible]	(Col Peso)	1189.2575	817.86	[illegible]	758.016
CIS	(Rouble)	0.8720	0.5946	[illegible]	0.5511
		2302.98m	1570.57	896.624	1455.65
Comoros	(CFA Fr)	873.00	595.376	339.887	[illegible]
[illegible]	(CFA Fr)	873.00	595.376	339.887	[illegible]
[illegible]	(Colon)	223.015	152.094	[illegible]	140.961
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Special Drawing Rights [illegible] United Kingdom [illegible] Germany D Mark 2.4218 Japan [illegible] United States $1.10703 Germany D Mark [illegible] Japan Yen 119.615

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (g) Exports; (h) Non commercial rate; (i) Business rate; (j) Buying rate; (k) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Tourist rate [illegible] Enquiries: 071 634 4000/6, Friday, February 11, 1994.
Some data derived from THE WM/REUTERS CLOSING SPOT RATES [illegible] Bank of America, Economics Department, London Trading Centre.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.75	[illegible]	[illegible]
0100	27.89	[illegible]	[illegible]
0130	27.82	[illegible]	35.54
0200	27.89	[illegible]	35.54
[illegible]	[illegible]	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	[illegible]	20.54	[illegible]
0100	18.75	22.50	23.69
0130	[illegible]	33.70	35.09
0200	26.49	33.70	35.09
[illegible]	[illegible]	[illegible]	[illegible]

[illegible] are determined [illegible] twenty-four [illegible] convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £14.66/MWh becomes 1.466p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456780 between 8:30am and 5:15pm Monday to Friday.
©Energy Settlements and Information Services Limited

LEGAL NOTICES

THE INSOLVENCY ACT 1986
TOWER ACCEPTANCES LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of creditors will be held at The New Barbican Hotel, Central Street, Clerkenwell, London EC1V 8DS on 28 February 1994 at 10.30 am for the purposes mentioned in Section 99 and 100 of the said Act.

Creditors wishing to vote at the meeting must lodge a proxy, together with a statement of their debt, at the offices of Robson Rhodes, 186 City Road, London EC1V 2NU not later than 1200 hours noon on 25 February 1994.

A list of the names and addresses of the company's creditors will be available for inspection, free of charge, at the offices of Robson Rhodes, 186 City Road, London EC1V 2NU on 24 and 25 February 1994 between the hours of 1000 and 1600 hours.

Dated this 14th day of February 1994
F. EFFINGTON
Director

CONTRACTS & TENDERS

SELECT LIST OF CONTRACTORS FOR SUPPLY OF AN OPERATIONAL LEASE FOR THREE REFUSE FREIGHTERS

Applications are invited from suitably experienced [illegible] institutions who wish to [illegible] included on [illegible] Council's [illegible] for the supply of [illegible] operating [illegible] for [illegible] freighters.

Interested [illegible] notify [illegible] in writing [illegible]

Acting Head of Leisure and the Environment, Bassetlaw District Council, Carlton Forest House, Hundred Acre Lane, Carlton Forest, Worksop, Notts., S81 0TS.

All applicants will be supplied with a questionnaire to be returned by the 7th March, 1994.

BASSETLAW
DISTRICT COUNCIL
NORTH NOTTINGHAMSHIRE

LEGAL NOTICES

In the High Court of Justice
Chancery Division No 0010850 of 1993
IN THE MATTER OF
NU-SWIFT PLC
and
IN THE MATTER [illegible]
THE COMPANIES ACT 1985

NOTICE IS [illegible] GIVEN that a [illegible] was on [illegible] 2nd February 1994 presented [illegible] Her Majesty's High Court [illegible] sanctioning of a Scheme of Arrangement and the confirmation of the reduction of the capital of the above-named Company in accordance with the provisions of the said Scheme of Arrangement.

AND NOTICE IS [illegible] GIVEN that the said [illegible] and [illegible] of Arrangement are directed to be heard before Mr Registrar Buckley at The Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 2nd day of March [illegible]

[illegible] Creditor or [illegible] of [illegible] said Company desiring to oppose the making of an Order for the [illegible] of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned [illegible] on payment of the regulated charge for the same.

DATED this 15th day of February [illegible]
BERWIN LEIGHTON
Adelaide House
[illegible] Bridge
London EC4R 9HA
Ref: IL/AGDN
Solicitors for the above-named Company

WORLD BOND MARKETS: This Week

NEW YORK

Patrick Harverson

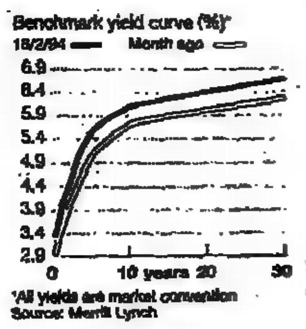
Although the US bond market is closed today for the Presidents' Day holiday, the calendar is busy enough in the rest of the week to provide fixed-income investors with something new to digest.

Tomorrow, Mr Alan Greenspan, the Federal Reserve chairman, gives the biannual Humphrey Hawkins address to Congress, where he is expected to provide more details of the thinking behind the February 4 increase in US interest rates, which has so disturbed bond market sentiment over the past fortnight. Any hint from Mr Greenspan that he is close to tightening policy again would be likely to upset the already rattled market.

Also tomorrow, the Conference Board releases its [redacted] consumer confidence, and analysts are expecting little change in the reading. On Thursday, the January durable goods orders report is released, and continued strength in the numbers is expected. [redacted] day later the latest monthly existing home sales figures are published.

Finally, this [redacted] Treasury auctions could cause a few problems, given the current [redacted] in [redacted] On Wednesday, $17bn of two-year notes will be sold, followed by $11bn of five-year notes on Thursday. If prices continue to fall, the auctions could prove a crucial test of the market's mood.

US



*All yields are market convention
Source: Merrill Lynch

LONDON

Philip Coggan

The gilts market faces [redacted] difficult few days, after the sell-off in world bond markets last week. US investors were reported [redacted] be heavy sellers [redacted] European bonds.

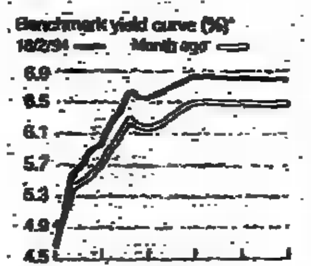
Mr Simon Briscoe, UK economist at S.G. Warburg Securities, described the market as "truly unbelievable" in the wake of a series of economic statistics which should have been favourable for gilts.

"A week ago, if someone had said we will give you 10 statistics which point to a weak economy and low price pressures, and a German rate cut, I would have said gilts would be up three points. In [redacted] they were down two. The market has lost track with fundamentals," [redacted] Briscoe [redacted]

With [redacted] performing badly on [redacted] Philadelphia Fed report of an upturn in inflationary pressures, Mr Nigel Richardson, head of [redacted] research at Yamaichi International (Europe), said: "UK investors are looking to the US as a guide to the outlook in the UK".

All this is a bad omen for the next auction, of £2.5bn of 7 per cent gilt stock, due on Wednesday. Mr Richardson said there is a chance that gilts fell sufficiently last week to make the new stock attractive, with the spread over German bunds now 87 basis points. But Mr Briscoe warned it could be a make or break auction.

UK



*All yields are market convention
Source: Merrill Lynch

FRANKFURT

David Waller

Last week's half-point cut in the discount rate took the markets by surprise but did nothing to satisfy bond market [redacted]

There was disappointment that the cut to 5.25 per cent did not go hand in hand with a reduction in the all-important securities repurchase or "repo" rate, which was fixed for this week at 6 per cent – where it has been for the past two months.

It is difficult to see what can provide the impetus for a change in sentiment. Good data on January M3 – which may be published this week – will not change the fact that the easing move last week was less substantial than the markets wanted.

Developments in the US government [redacted] will [redacted] be watched carefully: further anxiety about rate rises in North America is likely to spill over into the German market, where the average current yield was 5.78 per cent on Friday and the yield of many 10-year issues was back over the 6 per cent mark.

There is a danger that the Bundesbank reduced the discount rate merely to put the proper margin between it and the repo rate. Mr Paul [redacted] of Robert Fleming in London thinks the Bundesbank wants to see how the currency holds up in the wake of rate cuts. But, he warns, nerves will be stretched if there is no signal of further easing in the next two weeks.

Germany

*All yields are market convention
Source: Merrill Lynch

TOKYO

Emiko Terazono

While the sluggishness of the Japanese economy remains unchanged, Japanese government bond prices may lose ground on supply and demand factors.

Profit-taking ahead of the March book-closing by life assurers and banks is expected to accelerate, depressing long bond prices.

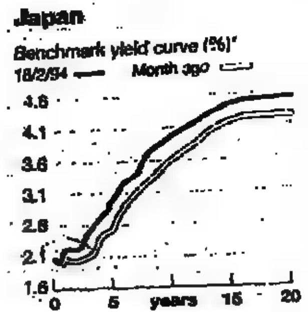
The Japan Securities Dealers' Association, says trust banks became net sellers of government and corporate bonds in January for the first time in a year, selling [redacted] net Y368.5bn. City, or commercial, banks were net sellers for the fourth consecutive month, while long-term credit banks were net sellers [redacted] third straight month.

An increase in supply of medium-term corporate bonds is also adding to the lack of appetite for government bonds among institutional investors, while hedge selling on the futures market by underwriters has been weighing on the market.

Traders are also cautious ahead of an increase in issuance of municipal bonds [redacted]ver the coming months.

However, the Bank of Japan is increasingly wary of a further rise in medium and long-term interest rates while the slump in business confidence continues. [redacted] traders hope that the central bank will allow short-term money rates, which are already at record lows, to ease [redacted]r, thus supporting bond prices.

Japan



*All yields are market convention
Source: Merrill Lynch

Capital & Credit / Sara Webb

Europe unwilling to decouple from US

Europe's government bond markets are [redacted] extraordinary [redacted] of turmoil, ruled [redacted] – it would [redacted] – by gut feelings [redacted] by [redacted] thing resembling cool, calm economic analysis.

Last Thursday, [redacted] surprised [redacted] world financial [redacted] a half-point [redacted] in [redacted] German discount rate, lowering [redacted] from 5.75 per cent to 5.25 per cent.

The European [redacted] markets, which have [redacted] tendency [redacted] hang on [redacted] word, [redacted] the eyebrow [redacted] signal from the Bundesbank, have [redacted] with [redacted] question [redacted] "will they, won't they cut rates?" for weeks.

And no sooner [redacted] esbank cut its discount rate, than nearly every [redacted] pean central bank [redacted] to follow suit.

Belgium, Austria, Italy, and [redacted] announced their moves on Thursday, while Spain, Switzerland, Den[redacted] and Sweden [redacted] until Friday, leaving [redacted] as the [redacted] "odd man out".

[redacted] Bank of France [redacted] move [redacted] early [redacted] week given the French franc/D-Mark exchange rate, or else could wait until Germany lowers its repo rate.

However, [redacted] pean bond markets rejoiced [redacted] first in the long-awaited news of [redacted] German easing, there was [redacted] pretty smart turnround by [redacted] Thursday afternoon, followed by [redacted] sharp fall in European government bond prices on Friday afternoon.

What on [redacted] going on, [redacted] as [redacted] gilts, bunds, OATs [redacted] European [redacted] in largely futures-driven trading.

For a start, [redacted] bond [redacted] kets [redacted] clearly been [redacted] by [redacted] revival of concern [redacted] inflation in the US [redacted] the decision by [redacted] short-term interest rates on February 4.

Of course, bond markets hate the thought of rising inflation: the fact that the Fed's move was intended to be a pre-emptive [redacted] – [redacted] than [redacted] strong dose of medicine to cure an existing ill – [redacted] largely [redacted]red.

The fact that the Bank of England snipped [redacted] quarter point off [redacted] rate, taking it [redacted] per cent, only [redacted] few days later [redacted] February [redacted] the [redacted] that [redacted] on this [redacted] are still following [redacted] path.

In addition, [redacted] course, [redacted] Thursday, sparking [redacted] easings in Europe, again [redacted] confirmed [redacted] the [redacted] European [redacted] down, rather [redacted]

However, [redacted] markets [redacted] remain jittery and almost determined [redacted] focus [redacted] very [redacted] inflation front.

Witness what happened in [redacted] US last Thursday: [redacted] announcement that [redacted] con[redacted] prices last month [redacted] unchanged on the previous [redacted] by only 2.5 [redacted] year [redacted] January should have [redacted] for US Treasury bonds.

Instead, the Treasury market [redacted] to concentrate on [redacted] report on regional economic [redacted] Reserve Bank of Philadelphia, which showed a sharp rise in the bank's index of [redacted] tured goods prices.

[redacted] worries have clearly spooked the European markets. On top of this, though, rumours of substantial trading losses by certain proprietary trading desks and reports of extremely heavy selling by US hedge funds have swept the European bond markets.

"The market psychology right now is very very negative," said one European bond dealer.

Some dealers point out that the very volatile market conditions have made trading difficult.

"It's been so choppy, some days you lose a lot but then other days you can make it all back up again," said one dealer at a US bond house.

But while traders are, not surprisingly, loath to discuss how much money they have lost, they confirm that much of the selling pressure has come out of the US, particularly from US hedge funds.

These are private pools of funds which are managed very aggressively: they are highly leveraged and were one of the driving forces behind the surge in European government bond prices last year.

"It's been a frightening experience to see such a massive liquidation of bonds," said one analyst last week.

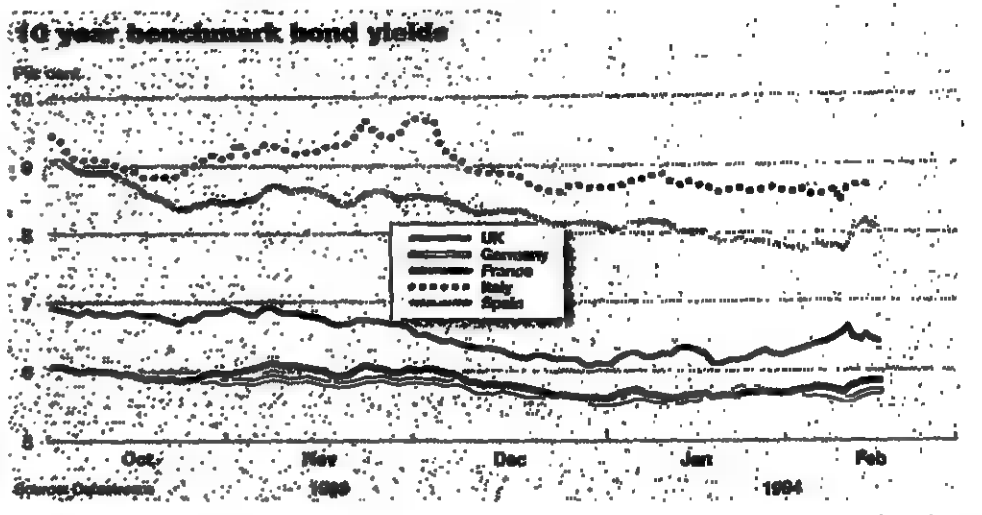
"There's been a tide of selling, and people have got stuck with positions they don't want to be in, and have had to offload. Nor is it possible to say with any conviction that the selling has come to an end."

The problem, points out Mr George Magnus, international economist at S. G. Warburg Securities, is that a sensible valuation or economic analysis of the European bond markets simply does not enter into the picture at all.

"Even if you point out that European yields will fall back to the levels where they were at the end of 1993, the words just fall on deaf ears," he says.

For the moment, at least, the European bond markets appear unwilling to decouple from the moves in the US.

10 year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	3.00	1.75	5.25	7.00†	8.00	5.25§
Overnight	3.13	2.25	6.06	6.25	8.00	4.50
Three month	3.36	2.15	5.88	6.06	8.12	5.00
One year	3.91	2.18	5.25	5.62	7.76	5.06
Five year	5.53	2.93	5.54	5.59	8.55	5.09
Ten year	6.06	3.92	5.94	6.02	8.78	6.57

(†) France-Repo rate, (§) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	113-16	112-21	-0-28	113-27	112-07	396,892	298,092
Mar	112-16	111-20	-0-28	112-24	111-06	26,827	42,852
Jun	111-19	110-23	-0-28	111-27	110-11	874	33,519
Sep							

UK [redacted]

Notes	Price £	Wk % +/-	Amnt £m	Interest [redacted]	Last xd	City line
"Shorts" (Lives up to Five Years)						
Treas 14½pc 1994‡‡	100xd	—	500	Mr1 Se1	[redacted]	[redacted]
Exch 13½pc 1994	[redacted]	-.1	1,100	Ad27 Oc27	[redacted]	[redacted]
Treas 10pc Ln. 1994‡‡	101½	-.1	1,900	[redacted]	2.11	1284
Exch 12½pc 1994	103¼xd	-.1	[redacted]	[redacted]	17.1	[redacted]
Treas 9pc 1994‡‡	102½	—	[redacted]	My17 Nv17	11.10	1345
12pc 1995	109¼	-.1	[redacted]	Ja25 Jy25	[redacted]	1234
Exch 3pc Gas 90-95	97½	-.1	[redacted]	My1 Nv1	[redacted]	1271
10¼pc 1995	107⅛	-.1	3,800	[redacted]	16.12	1254
Treas 12¾pc 1995‡‡	112½	-.1	840	[redacted]	11.10	[redacted]
14pc 1996	119½	—	770	Ja22 Jy22	16.12	[redacted]
15¼pc 1996‡‡	120¾	-.1	1,100	My3 Nv3	[redacted]	[redacted]
Exch 13¼pc 1996‡‡	118¾	—	[redacted]	My15 Nv15	[redacted]	[redacted]
Conversion 10pc 1996	111⅛	0.1	[redacted]	[redacted]	[redacted]	[redacted]
Treas 13¼pc 1997‡‡	120⅛	—	[redacted]	[redacted]	[redacted]	[redacted]
Exch 10½pc 1997	113⅛	0.1	[redacted]	[redacted]	17.1	[redacted]
Treas 8¾pc 1997‡‡	106¼xd	0.1	[redacted]	[redacted]	[redacted]	[redacted]
Exch 15pc 1997	129½	—	[redacted]	[redacted]	[redacted]	[redacted]
9¾pc 1998	112⅛	0.1	3,850	Ja19 Jy19	[redacted]	[redacted]
Treas 7¼pc 1998‡‡	104½	0.1	6,250	Mr30 Se30	[redacted]	—
7¼pc 1998 B‡‡	104¼	0.1	1,600	[redacted]	—	—
Treas 6¾pc 1995-98‡‡	101½	—	1,200	My1 Nv1	27.9	1331
14pc '96-1	128½	-.1	970	[redacted]	[redacted]	[redacted]
Treas 15½pc '98‡‡	137½	-.1	835	[redacted]	[redacted]	1306
Exch 12pc 1998	121½	-.1	3,600	[redacted]	[redacted]	[redacted]
Treas 9½pc 1999‡‡	114⅛	0.1	[redacted]	[redacted]	[redacted]	[redacted]
Five to Fifteen Years						
Exch 12¼pc 1999	125½	—	[redacted]	Mr26 Se26	30.8	1294
Treas 10½pc 1999	118½	0.1	[redacted]	My19 Nv19	13.10	1296
Treas 6pc 1999‡‡	100⅛	0.2	[redacted]	Fe10 Au10	4.1	—
Conversion 10¼pc 1999	118½	0.1	[redacted]	My22 Nv22	16.10	1242
9pc 2000‡‡	113½xd	0.1	[redacted]	[redacted]	29.1	1244
Treas 13pc 2000	133½	—	3,171	Ja14 Jy14	8.12	1258
10pc 2001	116½xd	—	4,406	Fe26 Au26	29.1	1283
7pc '01‡‡	103⅛	-.1	[redacted]	[redacted] Nv6	—	—
9¾pc 2002	119½xd	-.1	[redacted]	Fe27 Au27	[redacted]	1349
8pc 2003‡‡	[redacted]	-.1	[redacted]	[redacted]	3.11	—
10pc 2003	122½xd	-.1	2,503	My8 Se8	31.1	1281
Treas 11¾pc 2001-4	126¾xd	—	1,620	Mr19 Se19	10.2	1280
Funding 3½pc '99-4	81½	-.2	543	Ja14 Jy14	8.12	1274
Conversion 9½pc 2004	[redacted]	-.3	3,412	[redacted]	[redacted]	[redacted]
Treas 6¾pc 2004‡‡	[redacted]	-.4	3,250	[redacted]	—	—
6¾pc 2004 A	[redacted]	-.3	3,000	[redacted]	—	—
Conv 9½pc 2005	[redacted]	-.2	4,842	Ap18 Oc18	[redacted]	[redacted]
Treas 12½pc 2003-5	[redacted]	-.3	2,200	My21 Nv21	[redacted]	[redacted]
[redacted] 2006‡‡	[redacted]	-.2	[redacted]	Mr6 Se6	31.1	—
8pc 2002-6‡‡	107½	-.1	[redacted]	[redacted]	[redacted]	[redacted]
Treas 11¾pc 2003-7	131⅛	-.2	[redacted]	[redacted]	[redacted]	[redacted]
Treas 8½pc 2007‡‡	114⅛	-.2	[redacted]	[redacted]	16.12	1328
13½pc '04-8	146½	-.4	[redacted]	[redacted]	20.6	1301
Treas 9pc 2008‡‡	[redacted]	-.4	5,621	Ap13 Oc13	[redacted]	[redacted]
Over Fifteen Years						
Treas 8pc 2009	110½xd	-.3	3,100	[redacted]	[redacted]	[redacted]
[redacted] 2010	[redacted]	-.7	2,750	-	-	-
[redacted]9pc Ln 2011‡‡	121⅛	-.5	4,273	Ja12 Jy12	[redacted]	[redacted]
Treas 9pc 2012‡‡	121¼	-.5	5,150	Fe6 Au6	31.12	1701
Treas 5½pc 2008-12‡‡	87½xd	-.1	1,000	Mr10 Se10	1.2	1330
Treas 8pc [redacted]	111½	-.5	4,950	Mr27 Se27	[redacted]	—
7¾pc 2012-15‡‡	103⅛	-.4	800	Ja26 Jy26	20.12	1232
Treas 8¾pc [redacted]	[redacted]	-.4	6,950	Fe25 Au25	[redacted]	[redacted]
Exch 12pc '13-'17	152	-.7	1,000	Ja12 Dc12	5.11	1260
Undated						
Consols 4pc	[redacted]	0.2	[redacted]	Fe1 Au1	[redacted]	[redacted]
War Loan 3½pc‡‡	51	0.4	[redacted]	Ja1 Oc1	25.10	[redacted]
Conv 3½pc '61 Aft.	[redacted]	-.5	1?9	Ap1 Oc1	25.8	1243
Treas 3pc '66 Aft.	41½	—	[redacted]	Ap5 Oc5	[redacted]	1324
Consols 2½pc	[redacted]	0.9	275	5JaApJyOc	[redacted]	[redacted]
Treas. 2½pc	[redacted]	0.3	475	Ap1 Oct	25.8	1315

	Notes	Price £	Wk % +/-	Amnt £m	Interest [redacted]	Last xd	City line
Index-Linked (b)							
Treas. 2pc '96	[redacted]	[redacted]	—	800	[redacted]	11.10	3070
2pc '9[redacted]	[redacted]	202¼xd	-.2	1,200	[redacted]	7.2	1313
4⅝pc '98‡‡	(135.6)	111⅝	-.3	[redacted]	Ap27 Oc27	20.9	—
2½pc '01	(78.3)	[redacted]	-.3	1,560	Mr24 Se24	16.2	1316
2½pc '03	(78.8)	[redacted]	-.5	1,063	My20 Nv20	14.10	1317
4⅛pc '04‡‡	[redacted]	[redacted]	-.7	850	[redacted]	14.9	—
2pc [redacted]	[redacted]	173¾	-.8	1,850	[redacted]	13.12	1314
[redacted]	[redacted]	[redacted]	-1.0	1,350	[redacted]	14.10	1318
2½pc '11	(74.6)	158⅜xd	-1.0	[redacted]	[redacted]	17.1	1319
2½pc '13	(89.2)	140⅛	-1.2	2,300	Fe16 Au16	10.1	1320
[redacted]	(81.6)	[redacted]	-1.2	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	(83.6)	[redacted]	-1.2	[redacted]	[redacted]	[redacted]	[redacted]
2½pc '24‡‡	(97.7)	[redacted]	-1.4	1,950	Ja17 Jy17	13.12	1323
4⅛pc '30‡‡	(135.1)	122¼	-1.4	1,200	Ja16 Jy22	16.12	—

(b) Figures in parentheses show RPI base for indexing (ie 8 months prior to [redacted] have been adjusted to reflect rebasing of RPI to 100 in [redacted] 1987. Conversion factor 3.945. RPI for June 1993: 141.0 and for January 1994: 141.3.

Other Fixed Interest

	Price £	Wk % +/-	Amnt £m	Interest	Last xd	City line
African Dev 11¼ 2010	[redacted]	-.4	50	Ja4 Jy4	1.12	—
Asian Dev 10¼pc 2009	[redacted]	-.4	100	Mr24 Se24	28.3	—
B'ham 11[redacted] 2012	137½	0.2	45	My15 Nv15	17.4	1837
Ireland Cap 8½pc '16	111½	-1.1	300	Ap1 Oct	—	1405
[redacted]	102¾	-.2	725	Ja30 Jy30	—	—
[redacted]	114	-.2	315	[redacted]	28.8	1426
[redacted] 2011	163½	-.4	40	[redacted]	27.10	—
[redacted] 2006	145½	0.2	[redacted]	Ap1 Oct	12.3	3146
[redacted]	43½	0.6	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	38¼	—	20	[redacted]	1.8	—
[redacted] 11¼pc 2007	132	0.4	6	[redacted]	30.3	3275
[redacted]	75¾	0.3	25	Mr1 Se1	[redacted]	[redacted]
[redacted] 3½pc 2021	146	—	60	Ja30 Jy30	[redacted]	[redacted]
4⅛pc IL 2024	140¾	0.2	90	—	20.7	—
Utd Mex States 16½pc 2008	164¼	—	50	Mr1 Se1	[redacted]	—

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

International / Antonia Sharpe

Moves to develop 'structured' bonds

Mr Kenneth Lay, the director of financial operations at the World Bank, just cannot sit still. Now that his efforts to develop a truly international capital market through his global bond concept have paid off, he is using his formidable energy and influence to improve the secondary market liquidity in derivative-linked or "structured" bonds.

An increasing number of borrowers are issuing structured bonds because the derivative element embedded in the bonds enables them to achieve a cheaper cost of funds than if they launched a straightforward Eurobond or global bond offering. Structured bonds are equally popular with investors who want to back their views about the direction of anything from interest rates to an individual company's share price.

But since these transactions are frequently driven by fleeting arbitrage opportunities and tailored to specific investors, they tend to be relatively small in relation to Eurobond or global bond market offerings. Syndicate managers say the average size of structured bond offerings is about $100m.

As a result, investors often run into difficulty when they come to sell the bonds. Main complaints are the lack of price transparency and liquidity in the secondary market, [redacted] means [redacted] receive less than the inherent value of the bonds.

World Bank officials have discussed with about 200 investors how to reduce the deficiencies in the structured bond market. They believe the innovative facilities of the World Bank's imminent $5bn global multi-currency note programme should help to address these concerns. The programme offers the following advantages:

- Price transparency: the seven sponsoring dealers will regularly publish indicative bid prices for World Bank structured bonds issued under the programme on dedicated screens distributed by widely available services. The World Bank expects that competitive pressures among dealers will lead them to improve secondary market prices.
- Secondary market liquidity: by offering to exchange outstanding structured notes for new floating-rate or structured notes, the World Bank hopes to be more supportive of sponsoring dealers' secondary market activities than other issuers.
- Issuance, trading and custody: global documentation (bonds issued under the programme may be governed by New York, English or German law) will allow for timely and streamlined issuance of structured bonds in a [redacted] markets, [redacted] and matu[redacted] The [redacted] pro[redacted] clearing systems [redacted] cross-market clearing and settlement in major [redacted]

Mr Bim Hundal, head [redacted] medium-term note (MTN) programmes at Goldman Sachs, one of the sponsoring dealers of the World Bank's programme, says the World Bank's decision to formalise the role of dealers is an important step in the development of the structured bond market.

The increased competition and the knowledge that the World Bank is measuring their performance should encourage dealers to make realistic prices in the bonds. The increased price transparency will benefit investors whenever they value their holdings either for regulatory or trading purposes.

The World Bank hopes its measures will widen the investor appeal of structured bonds since it plans to raise at least $2bn of its annual borrowing programme of between $10bn and $12bn through structured products. These products will be linked only to interest rates and exchange rates.

Although structured bonds tend to have relatively short maturities – the result of investor worries about the lack of liquidity – the World Bank hopes its liquidity facility will enable it to achieve maturities [redacted] four and [redacted]

The global platform built into [redacted] programme is likely to be imitated by other issuers who want to have one MTN programme which [redacted] them access to all the world's major markets.

The volume of MTN [redacted] grown rapidly over the past few years as issu[redacted] lower [redacted] documentation [redacted] and [redacted] time involved in launching a bond offering.

[redacted] Juan Costain, head of [redacted] Peabody, another sponsoring [redacted] the World [redacted] pro[redacted] volume of MTNs grew by 2½ times last year to $127bn. Of this, about $60bn was in structured bonds and this year the volume could reach $75bn.

According to Mr Costain, the documentation [redacted] Euro-MTN programme, under which [redacted] can make numerous Eurobond offerings, are about $100,000, the same as for an individual Eurobond offering. Although the documentation cost of a global programme is closer to $300,000, the issuer is likely to achieve even lower costs of funding because of the immediate access to a far wider range of markets and currencies.

NEW INTERNATIONAL BOND ISSUES

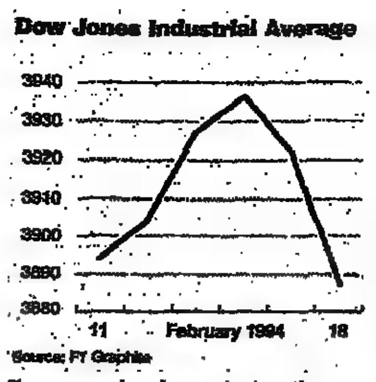
Borrower	Amount m.	[redacted]	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
[redacted]	400	Mar.2004	[redacted]	100.00	-	-	Morgan Stanley Intl.
[redacted]	200	Mar.1996	1.25	[redacted]	-	-	Daiwa Europe
Nippon [illegible] Co.(a)(b)	100	[redacted]	[redacted]	[redacted]	-	-	Nikko Europe
SSL Corp.(a)(b)	200	Feb.1998	1.125	100.00	-	-	[redacted]
[redacted]	100	Feb.2004	3.75	100.00	-	-	[redacted]
[redacted]	100	Mar.1999	[redacted]	99.80R	5.872	[redacted] (5⅞%-99)	[redacted]
[redacted]	300	[redacted]	[redacted]	99.85R	6.646	+55 (5⅞%-04)	[redacted] & Sachs
[redacted]	150	[redacted]	[redacted]	100.00R	-	-	[redacted] Boston
[redacted] Bank	500	Mar.2004	[redacted]	99.762R	6.092	+8 (5⅞%-04)	[redacted] Securities
Crédit Commercial de France(c)	100	[redacted]	[redacted]	[redacted]	-	-	Kidder Peabody Intl.
RSA	50	[redacted]	[redacted]	[redacted]	9.150	+380(4¼ 5yr)	Smith Barney Shearson
[redacted] (Cayman)(d)	[redacted]	[redacted]	[redacted]	100.00	-	-	[redacted]
General Electric Cap.Corp.(e)	[redacted]	[redacted]	[redacted]	98.49R	4.855	+8 (4⅞%-98)	[redacted]
LB [redacted]	500	Mar.[redacted]	[redacted]	[redacted]	-	-	Lehman Brothers Intl.
[redacted]	50	[redacted]	7.625§	100.625R	[redacted]	[redacted]	Citibank International
D-MARKS							
Nissan Co.(j)(k)	150	Mar.1998	0.875	100.00	-	-	Nomura Bank(Deutsch.)
Dresdner Finance	1bn	[redacted]	6.25	101.90	[redacted]	-	Dresdner Bank
YEN							
[redacted]	8bn	[redacted]	[redacted]	[redacted]	-	-	Daiwa Europe
[redacted]	6bn	Mar.1998	[redacted]	[redacted]	-	-	Sumitomo Finance Intl.
Ford [redacted] Europe(l)	20bn	Jan.1997	2.75	100.23R	-	-	Merrill Lynch Intl.
Sharp Finance Neths.(j)(k)	5bn	Feb.2000	3.50	101.875	-	-	Sanwa International
Sharp Finance Neths.(j)(k)	[redacted]	[redacted]	3.00	101.625	-	-	Fuji Intl. Finance
STERLING							
Kingdom of Sweden(t)	200	[redacted]	[redacted]	98.48R	[redacted]	[redacted] (8%-98)	[illegible] UBS
KfW International Finance	[redacted]	[redacted]	6.625	99.10R	6.752	+10 (6¾%-04)	JP Morgan Securities
Banque Nationale de Paris(t)	[redacted]	[redacted]	6.25	98.43R	6.379	+32 (8%-03)	Lehman Brothers Intl.
Lonrho Finance(u)(v)	64.5	Feb.2004	[redacted]	100.00	-	-	CS First Boston
[redacted]	33	[redacted]	[redacted]	[redacted]	-	-	Lehman Brothers Intl.
FRENCH FRANCS							
Region D'Ile de France	800	Mar.2002	5.875	99.29R	5.988	+35 (z)	CCF
Westdeutsche Landesbank(y)	300	Sep.1995	zero	100.00	-	-	[redacted] Lyonnais
Compagnie Générale des Eaux	[redacted]	Mar.2004	6.25	[redacted]	6.370	+42 (5½%-04)	[redacted] Générale
Crédit Local de France(A)	1.5bn	Sep.2005	6.25	[redacted]	6.150	+23 (8½%-04)	[redacted]
Soc. Gén. Acceptance(B)(C)	300	Apr.2004	[illegible]	[redacted]	-	-	Société Générale
Soc. Gén. [redacted]	[redacted]	[redacted]	zero	[redacted]	-	-	Société Générale
CANADIAN DOLLARS							
Crédit Local de France	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	(6½%-04)	Paribas Capital Markets
JP Morgan & Co.	[redacted]	[redacted]	8.875	[redacted]	8.951	+20 (6½%-04)	Lehman Brothers Intl.
ITALIAN LIRE							
ABB International Finance	200bn	Mar.2004	8.125	[redacted]	[redacted]	-	Deutsche Bank London
Credito Italiano(Lux)(b)‡	200bn	Mar.1999	[illegible]	99.90R	-	-	Credito Italiano
USL Finance	[redacted]	Mar.2004	[redacted]	[redacted]	8.094	-	BM Lux./Bco. di Roma
AUSTRALIAN DOLLARS							
Mobil Australia Finance	[redacted]	[redacted]	[redacted]	99.60R	6.687	+17 (q)	[redacted] Intl.
Toyota Finance Australia	[redacted]	[redacted]	[redacted]	[redacted]	5.444	-	[redacted]
SWISS FRANCS							
Casio [redacted]	[redacted]	[redacted]	0.75‡	100.00	-	-	Nomura Bank (Switz.)
[redacted]	[redacted]	[redacted]	2.00	100.00	-	-	[redacted]
Eurofima‡	80.75	[redacted]	[illegible]	100.40	-	-	[redacted]
Sth.Aust.Govt.Financing Auth.‡	150	[redacted]	[illegible]	100.50	-	-	UBS

Final terms and non-callable unless stated. The yield spread [redacted] government bond) at launch is [redacted] by the lead manager. §Convertible. ‡Floating rate note. [redacted] ‡Semi-annual coupon and yield. R: fixed [redacted] price: baht230, FX: 25.28baht/$. Mandatory [illegible] from 17/3/97 subject to 140% rule. [redacted] Denom: $10,000 [redacted] price: Y1,3[illegible] FX: 10[redacted] $10,000 [redacted] Y1,472. FX: [redacted] into Filinvest Dev [redacted] subject to 140% rule. If FLI public offering does not occur within 4 yrs 65% [redacted] Callable from [redacted] yld to put and 35% [redacted] to Filinvest Land. i) Denom: DM5,000 +6 wrts. Ex price: Y3,414. FX: [redacted] Conv price: Y1,589. FX: [redacted] Conv price revision Apr[redacted] Callable on 31/3/95 at 102% falling ½%ann. Callable, [redacted] to 150%, on [redacted] at 101¾% falling ¼%ann. h) Short 1st coupon. i) Putable in event shareholders equity <Y20bn at par on 10/9/94,95,96 & 97. j) Long 1st coupon. k) 3[redacted] Libor +0.425%. l) 3-mth Libor +¼%. m) 6-mth Libor -⅛%: min 5%. n) Over interpolated yield. o) 2-tranche [redacted] linked to BEF120 index. p) 6-mth Libor [redacted] max 10%. q) Fungible with outstanding FFr1,5[redacted] days accrued. r) Denom: SFr5,000 +30 3-yr wrts. 4 wrts to [illegible] participation bearer at SFr1,015. [redacted] +¼%. t) 6-mth Libor +1.2%. u) Fungible with outstanding £250m. Plus 115 days accrued. v) Short 1st & 2nd coupons. w) Conv [redacted] subject to 140% rule, at 102% falling 1%ann. Callable from 13/2/99 at par. [redacted] launched 28/12/93 increased to FFr1.1bn. y) 7% fxd in 1st 6 mths and 14¼% - 1.65 x [redacted] z) Redemption formula: 100% + 9% x (N/52): N is weeks 3-mth Pibor falls within declining range (5.85-5.85% to 6.00-6.[redacted] A) 6-mth Libor -⅛%. B) 4% fxd in 1st yr and 6-mth Libor -⅛% thereafter. C) Quarterly coupon. Amortising notes: average life [redacted], expected maturity 3.4yrs. Mezzanine tranche: £5.65m, coupon 7⅛%, avg life 3.7yrs, [redacted] maturity 4.[redacted] Note: Yields are calculated on ISMA basis.

EQUITY MARKETS: This Week

NEW YORK — Frank McGurty

Investors scan the horizon for clouds



Source: FT Graphite

Wall Street is taking a well-deserved rest today to mark Presidents' Day, but many investors will no doubt take a moment out during the holiday to reflect on the stormy events of last week.

When investors and brokers return to their trading screens tomorrow, few will have any doubts that the market is now in a period of transition. Amid the uncertainty which that has engendered, analysts see a further weakening of share prices over the next week or two.

Mr Joseph McAlinden, director of research at Dillon Read in New York, sees a general downward bias over the next month or two, although stocks could well trade a little higher this week. "But any gains should be viewed in the context of a correction," he cautions.

The turning point for the financial markets came a fortnight ago, [illegible] the Federal Reserve decided to tighten monetary policy for the first time in five years. But the true implications of the move were only driven home last Thursday and Friday, when the underlying optimism which had driven the financial markets forward seemed to have finally broken.

During both sessions, investors appeared to be in mourning the bygone days when interest rates would only go down. In the bond market, holders of the inflation-sensitive 30-year issue were unconsoled by data showing no increase in consumer prices last month. Instead, they drove yields over 6.60 per cent for the first time since July, on the strength of a second-tier report showing some Philadelphia manufacturers had paid higher prices for materials.

By force of habit, stocks followed Treasury prices lower, just as they have followed them up over the life of the three-year bull market.

"The Fed has bruised the market, there is no doubt about that," says Mr Don Hays, market strategist at Wheat First Butcher & Singer in Norfolk, Virginia. "It is now in a healing period, and [last week] was a classic illustration of that." Instead of searching for silver linings, he argues, investors are scanning the horizon for clouds.

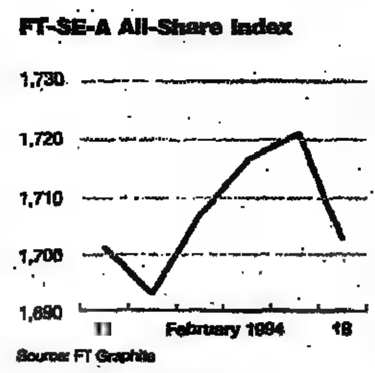
One of the clouds in investors' sights last week will arrive today. Mr Alan Greenspan, the Fed chairman, is scheduled to present his twice-yearly Humphrey Hawkins testimony on monetary policy to a congressional committee. Analysts fear that no matter what Mr Greenspan says, the market will find good cause to trade down.

Will stocks necessarily follow? Only so far, say analysts. Looking back at the Philadelphia manufacturing data, Mr McAlinden finds reason for guarded optimism. He points out that higher prices may indeed bring even higher interest rates, but the trend also suggests improved corporate earnings in some sectors. In that regard, he sees no fundamental change in a dynamic that has powered the market since the autumn.

"The two forces are involved in a tug of war," he says. For a few weeks, anyway, the interest-rate bears are likely to be dominant.

LONDON — Steve [illegible]

Big sell-off in bonds casts a shadow



Source: FT Graphite

The UK stock market kicks off the second leg of the two-week trading account this morning under considerable threat from the big sell-off across international bond markets late last Friday.

Share prices look almost certain to be marked down sharply at the outset of dealings, in what could be a re-run of the pattern of trading over the past two Mondays. The volatility was prompted by the US Federal Reserve's decision to tighten monetary policy. Two weeks ago, a fall in the the Dow Jones Average was matched almost point-for-point when London opened the following Monday, before recouping around half its opening fall.

The immediate focus of attention will be the gilts market and European bonds to see if there is any substantial follow-through selling. The closure of Wall Street for a US holiday could provide an element of stability in London. Another crucial pointer for international markets, with the obvious implications for London, comes tomorrow when Mr Alan Greenspan, chairman of the Federal Reserve, addresses the US Congress.

The 3,350 level on the FT-SE is viewed by market-makers and some chartists as a strong rallying point and any decisive move below that level could be the trigger for more big selling of leading stocks.

In spite of the wild swings in the equity market there is still no shortage of optimists. In a reference to the recent spate of UK economic data NatWest Securities says: "The prospect of a further cut in UK base-rates is back on the agenda." NatWest remains happy with its year-end FT-SE 100 forecast of 3,900.

Salomon Brothers, the US securities house, is even more bullish, forecasting a year-end FT-SE 100 number of 3,950. Salomon makes the point that since 1980 the UK stock market has rallied in every year after the first Fed tightening, by between 14 per cent and 38 per cent.

The broker says that in spite of rising US rates (it expects the Fed to tighten to 3¾–4 per cent by mid-year), it expects further rate cuts in Europe, underpinning equities.

However, the equity market does face another searching examination of the currently popular theory of strong earnings recovery, as no less than 10 of the FT-SE 100 constituents unveil preliminary figures this week.

If the reporting season to date is anything to go by, the market could be pleasantly surprised, although some broking houses, such as Nikko Securities, believe the risk is on the downside. Nikko says: "Further downgradings of earnings estimates are likely as adjustments are made for growth prospects in a low inflation environment".

Three of the UK's big composite insurance groups, Guardian Royal Ex[illegible], Commercial Union and Royal Insurance, and the UK's biggest insurance broker, Sedgwick, report during the week. While analysts will obviously focus on the expected strong recovery in profitability, the good numbers may also revive takeover speculation in the sector, which has underperformed the wider market in recent months.

OTHER MARKETS

TOKYO

While upward pressure on the yen seems to have subsided, stock market traders will continue to focus on the currency market and developments over US-Japan trade negotiations. The Nikkei index is likely to fluctuate on low volume, but may face selling by corporations realising profits ahead of the March book closing to supplement weak operating profits.

FRANKFURT

After last week's discount rate cut, the pending M3 money supply growth figures for January may come as an anticlimax, but there is the possibility that the Bundesbank will turn [illegible] attention to the 6 per cent repo rate when a DM72.2bn repurchase agreement expires on Wednesday. On Monday, IG Metall engineering [illegible] union officials may have to decide whether to call a strike ballot after the failure of pay talks.

AMSTERDAM

The big internationals feature, with Unilever's preliminary figures due on Tuesday and the Royal Dutch/Shell group's full-year 1993 figures on Thursday. Hoare Govett looks for a 4.5 per cent rise in net profits from the consumer products giant, saying sterling's continued weakness through 1993 acts as a constraint on the guilder dividend; it projects a slight decrease in earnings per share, but a marginally higher dividend from Royal Dutch.

OSLO

Weak oil prices and aluminium industry politics have not stopped Norsk Hydro's upward share price career. Monday's 1993 results should produce earnings up from NKr8.60 to NKr15.60 a share, says NatWest Securities.

COPENHAGEN

Bracketed by other major bank results – AIB in Dublin, Svenska Handelsbanken in Stockholm and UBS in Zurich – Den Danske is due with its 1993 figures on Thursday. Markedly higher profits are expected: The Estimate Directory offers a consensus EPS forecast of DKr47.0, up from DKr30 in 1992.

ZURICH

Alusuisse 1993 results are expected on Friday. The group has indicated a sharp cut in 1993 net profits, due to weak economic conditions and poor aluminium prices, as well as the additional costs of closing capacity in aluminium production.

INDICES AT A GLANCE

	Closing price	Percentage Change: Over week	On 12 months	Since Jan 1	12 month High		12 month Low		1994 High		1994 Low	
FT-SE 100	3,382.60	-1.1	+19.2	-1.4	3,520.30	2/2/94	2,736.30	6/5/93	3,520.30	2/2/94	3,350.00	13/1/94
Dow Jones Ind.	3,887.46	-0.2	+17.7	+3.6	3,978.36	31/1/94	3,302.91	18/2/93	3,978.36	31/1/94	3,756.60	3/1/94
Nikkei	18,959.60	-5.2	+11.5	+6.9	21,148.11	13/9/93	16,078.71	29/11/93	20,416.34	1/2/94	17,369.74	4/1/94
Dax	2,151.97	+2.9	+28.7	-4.1	2,267.98	3/1/94	1,603.94	24/5/93	2,267.98	3/1/94	2,075.61	21/1/94
CAC 40	2,251.78	-1.0	+16.9	-0.7	2,355.93	2/2/94	1,835.72	17/5/93	2,355.93	2/2/94	2,234.78	17/1/94
Banca Com. Ital.	689.03	+11.2	+95.0	+11.2	689.03	18/2/94	475.61	31/3/93	689.03	11/2/94	586.85	10/1/94

Source: FT Graphite

RISK AND REWARD

Money managers take a fresh look at commodities

In the US, [illegible] apparent swing into the [illegible] of a business cycle recovery has drawn [illegible] money's attention [illegible] to [illegible] modities. After years of underperforming fixed-income investments, [illegible] – particularly metals like [illegible] and aluminium – outperformed bonds in [illegible] first month of [illegible] year.

Although low [illegible] prices have kept inflation [illegible] at bay, money [illegible] still [illegible] that owning physical [illegible] will [illegible] big returns when a [illegible] in demand breathes [illegible] that [illegible] commodity [illegible].

[illegible] fund [illegible] and other money [illegible] have piled [illegible] commodity proxies – mostly shares [illegible] companies that [illegible] processors – pumping up prices [illegible] unrealistic levels.

[illegible] Gold, a [illegible] priced [illegible] almost [illegible] current earnings, [illegible] US's largest aluminium companies, which posted large losses [illegible], are trading [illegible] 100 [illegible] projected earnings [illegible] or three years [illegible] future.

What [illegible] happened, analysts [illegible] capitalisation [illegible] commodity-linked equities [illegible] too small [illegible] funds, which have an estimated $2,000bn in assets [illegible] invest. [illegible] pension funds, also interested in commodities, weigh in with another $2,000bn in assets.

Direct investment in commodities would seem [illegible] logical alternative, but most [illegible] funds and many pension funds and insurance companies are prevented by charter or their investment boards from owning physical commodities or commodity futures.

[illegible] dealers [illegible] moved in to ease the [illegible] structured notes with values tied to the [illegible] movement of an underlying commodity, but which fit the definition [illegible] a fixed-income [illegible] ment.

Swaps based on commodity price relationships are also [illegible] sold to fund managers. These [illegible] could gradually inflate prices in the physical markets, traders [illegible], again because the money [illegible] be [illegible] is [illegible] compared [illegible] market size.

Wall [illegible] pin-striped fund [illegible] have been tiptoeing into fixed-income instruments [illegible] to [illegible] prices, because [illegible] unusually low feedgrain supplies [illegible] US this [illegible] boosted prices; into structured oil deals, because oil prices are [illegible] historically low levels; and [illegible] base metals, [illegible] prices occasionally sank below production costs last year [illegible] supplies glutted markets.

Last month, a California-based insurance fund [illegible] $14bn [illegible] fixed-income [illegible] into the oil swaps market for the [illegible] in a trade [illegible] on expectations that the upwardly-sloping [illegible] ward [illegible] price [illegible] traditional [illegible] dation (whereby [illegible] price [illegible] deferred delivery date) during the next [illegible] months, with [illegible] prices [illegible] two-year forward price.

Merrill Lynch persuaded Pacific Mutual [illegible] Insurance to [illegible] $15m in the 1m barrel trade as a [illegible] of diversifying [illegible] the spread [illegible] to a pre-defined [illegible]. If [illegible] does not move [illegible] of contango (whereby [illegible] price is below the deferred delivery price), Merrill Lynch will profit from the trade.

The trade [illegible] an unusual one [illegible] an insurance fund, but could [illegible] a trend. Banks and [illegible] are actively [illegible] commodity-derivatives expertise to [illegible] and sales [illegible], viewing [illegible] ities as a [illegible] opportunity [illegible] growth in for[illegible] and [illegible] businesses [illegible] out.

Laurie [illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 18 / Sch) [illegible]

BELGIUM/LUXEMBOURG (Feb 18 / Frs.) [illegible]

DENMARK [illegible]

FINLAND (Feb 18 / [illegible]) [illegible]

FRANCE [illegible] Frs.) [illegible]

GERMANY (Feb 18 / Dm.) [illegible]

NETHERLANDS (Feb 18 / Frs.) [illegible]

[illegible] (Feb 18 / Kroner) [illegible]

[illegible] (Feb 18 / Pts.) [illegible]

ITALY (Feb 18 / [illegible]) [illegible]

SWEDEN (Feb 18 / Kronor) [illegible]

SWITZERLAND (Feb 18 / Frs.) [illegible]

PACIFIC

JAPAN (Feb 18 / Yen) [illegible]

AUSTRALIA [illegible] [illegible]

[illegible] 18 / H.K.$) [illegible]

MALAYSIA (Feb 18 / MYR) [illegible]

SINGAPORE (Feb 18 / S$) [illegible]

NORTH AMERICA

CANADA

TORONTO (Feb 18 / Can $)

4 pm close

[illegible]

MONTREAL (Feb 18 / Can $)

4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Feb 18 / Rand) [illegible]

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are 1993-94, except Toronto & Montreal [illegible]. [illegible]

FT FREE ANNUAL REPORTS SERVICE [illegible] FT Japan [illegible]

TOKYO - MOST ACTIVE STOCKS: Friday, February 18, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nitsuko	[illegible]	1,340	+60	Sumitomo Elec	2.9m	1,330	+10
NKK	[illegible]	241	-1	Yahagi Iron	2.7m	192	+17
Kawasaki Steel	[illegible]	335		Pioneer Elec	2.6m	2,680	-220
Nippon Steel	3.1m	339	+6	Toshiba	2.6m	718	-6
Gunma Bank	3.1m	1,050	-10	Sumitomo Mtl Ind	2.6m	282	+3

INDICES

[illegible]

Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, Denmark, Finland, France, Germany, Greece, Hong Kong, India, Indonesia, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Philippines, Portugal, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, WORLD, CROSS-BORDER: [illegible]

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	[illegible]	[illegible]	[illegible]	2292.0	2258.0	19,413	[illegible]
Mar	2297.0	[illegible]	[illegible]	2302.5	2269.0	[illegible]	49,254
[illegible]	-	[illegible]	-33.0	-	-	-	950

Open interest figures for previous day.

** Sat Feb 12: Taiwan Weighted Price (c) ; Korea Comp Ex 917.15. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ◆ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index: Feb 18 - 2133.65 -25.44.

US INDICES

Dow Jones [illegible]

■ RATIOS

	[illegible] 11	Feb 4	Jan 28	Year ago
Dow Jones Ind. Div. Yield	[illegible]	[illegible]	2.57	3.00
	[illegible] 16	Feb [illegible]	Feb [illegible]	Year ago
S & P Ind. Div. yield	[illegible]	2.35	[illegible]	2.56
S & P Ind. P/E ratio	[illegible]	28.07	[illegible]	[illegible]

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	470.10	[illegible]	-2.25	[illegible]	466.30	[illegible]	180,705
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,161	8,907
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	119	1,214

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	5,002,900	71¼	-2½
Paramount	3,469,100	75	-1¼
[illegible]	3,209,100	32¾	-¼
Wal-Mart	3,129,900	27¾	–
K Mart	2,808,400	18¾	-¼
IBM	2,678,100	52¾	-¼
Gen Motors	2,642,900	59¾	-¼
GTE	2,545,900	31¼	-⅛
Am Barrick	2,530,900	25	-½
Chrysler	2,526,900	58	-⅝

■ TRADING ACTIVITY

● Volume (million)	Feb 18	Feb 17	Feb 16
New York SE	289.302	338.879	295.390
[illegible]	[illegible]	19.197	19.371
NASDAQ	(u)	354.812	338.501
NYSE			
Issues Traded	2,738	2,761	2,791
Rises	701	878	1,187
Falls	1,418	1,263	941
Unchanged	620	620	623
New Highs	45	109	103
New Lows	96	51	41

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4378.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

■ FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls [illegible] charged at 36p/minute cheap rate and 48p/minute at all other times. International [illegible] available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4378.

TSB Unit Trusts (1200)F

Charlton Pl, Andover, Hants. SP10 1RE

[illegible]

INSURANCES

AXA Equity & Law Life Assce

[illegible]

Britannia Life Assurance

[illegible]

Crown Financial Management Ltd - Contd.

[illegible]

Hearts of Oak Insurance Group - Contd.

[illegible]

Henderson Administration

[illegible]

Lincoln National

[illegible]

NM Life Assurance Ltd

[illegible]

Providence Capitol Life Assc. Co Ltd - Contd.

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code [illegible] are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4378.

Royal Liver Assurance
Royal Liver Building, Liverpool, L3 1HT. 051-236 1451

	Bid Price	Offer Price	Yield Gross	City-Line
UK Equity	82.7	87.0	–	43827
Global Equity	82.1	86.4	–	[illegible]
High Yield	79.5	83.7	–	43829
Intl Equity	88.5	93.2	–	[illegible]
Fixed Interest	[illegible]	[illegible]	–	[illegible]
Money	76.2	80.2	–	[illegible]
Managed	84.1	[illegible]	–	43833
Pensions				
UK Equity	90.3	95.0	–	43834
Global Equity	[illegible]	[illegible]	–	[illegible]
High Yield	92.8	97.73	–	[illegible]
Intl Equity	99.38	104.5	–	43837
Fixed Interest	97.60	102.7	–	[illegible]
Money	94.3	[illegible]	–	[illegible]
Managed	94.9	[illegible]	–	43840
Tax Exempt				
Tax Exempt Mgd	71.0	74.7	–	46252

S-E-Banken Life Assurance Co Ltd

Save & Prosper Group (z)

Scottish Amicable

Scottish Equitable plc

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Group

Scottish Widows' Group

Skandia Life Assurance Co Ltd – Contd.

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Labrow International Group

PanEuroLife societe anonyme

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd (x)

Scottish Provident Intl Life Ass Ltd

Sun Alliance International Life

Sun Life International (IOM) Ltd

MANAGEMENT SERVICES

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

Rothschild Asset Management – Contd.

GT Asset Management – Contd.

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

John Govett Management (IOM) Ltd

Leopold Joseph Fund Mngrs (IoM) Ltd

Mercury Fund Managers IoM Ltd

Sun Life Management (IoM) Ltd

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4378.

Fleming Group

	Bid Price	Offer Price	Yield Gross	City-Line
Robert Fleming Management (Jersey) Ltd				
Cash & Stock NAV Jan 31	$12.16		-	49161
Deutschemark NAV Jan 31	DM17.05		-	45690
Foreign & Colonial Mngmt (Jersey) Ltd				
Hypo Foreign & Colonial Reserve Asset Fd Ltd				
US$ Cash	$11.209		-	45005
Sterling Cash	£11.377		-	45007
US$ Bonds	$16.659		-	45009
Multicurrency Bonds	$22.887		-	45008
Sterling Bonds	£17.487		-	45010
D Mark Bonds	DM12.824		-	45011
European Bonds	Ecu14.771		-	45013
UK Equities	£14.190		-	45014
US Equities	$18.794		-	45015
Japanese Equities	Y828.0		-	45016
Cont'l Euro Equities	DM21.201		-	45017
UK Negative Equities	£10.445		-	48010
US Negative Eq	$10.046		-	48011
Japanese Negative Eq	Y842.40		-	48012
Cont Eur Negative Eqs	[illegible]		-	48013
UK Geared Equities	£10.910		-	48014
US Geared Equities	$11.171		-	48019
Japanese Geared Eqs	Y924.6		-	48015
Cont'l Euro Geared Eqs	DM16.212		-	48016
Gold	$11.055		-	48017
Protected Capital Plus A	£11.389		-	48018
Protected Capital Plus B	£11.134		-	49162

Greece Fund Ltd

	Bid Price	Offer Price	Yield Gross	City-Line
NAV Feb 17	$22.34		-	46680

John Govett Management (Jersey) Ltd

	Bid Price	Offer Price	Yield Gross	City-Line
[illegible]	$23.8280		-	47864
[illegible]	$10.45		-	47865
[illegible]	$10.12		-	47108
[illegible]	$95.49		-	40573
[illegible]	$11.3928	12.37	-	48164
[illegible]	$13.64		-	45639
[illegible]	$7.57		-	45440
Govett India Fund	$12.16	12.61	-	
[illegible]	$10.6532	11.2455	-	51334
[illegible]	$10.5333	11.15	-	
[illegible]	$10.4857	11.17	-	
[illegible]	£13.61	14.69	-	44510

Commercial Union Luxembourg SA - Contd.

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Reserve Funds						
Dollar Reserve Acc	$-		10.7574	10.8690	1.42	[illegible]
Dollar Reserve Dis	$-		9.62360	10.0346	1.42	[illegible]
Yen Reserve Acc	Y-		1051	1062	1.66	[illegible]
Yen Reserve Dis	Y-		991	1001	1.66	[illegible]
D'mark Reserve Acc	DM-		12.0946	12.2170	5.16	[illegible]
D'mark Reserve Dis	DM-		9.691	[illegible]	5.16	[illegible]
Stg Reserve Acc	£-		1.3937	1.4088	4.52	[illegible]
Stg Reserve Dis	£-		0.99634	1.0064	4.52	[illegible]
Bond Funds						
D'mark Bond Acc	DM-		90.2221	[illegible]	5.18	[illegible]
Peseta Bond Acc	Pts-		320	323	8.27	[illegible]
Peseta Bond Dis	Pts-		218	220	8.27	[illegible]
Sterling Bond Acc	£-		174.4681	[illegible]	6.16	[illegible]
US $ Bond Acc	$-		149.0027	[illegible]	3.66	[illegible]
Worldwide Bond Acc	SFr-		78.4546	[illegible]	5.37	[illegible]

Creswale Group (u)

11 Rue Aldringen, L-1118 Luxembourg 071-357 8400

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Managed Convertible (c)	$-		2.35			[illegible]
Equity Warrt (Japan) (2)	$-		1.71		-	[illegible]
Hedge Fund	$-		22.27		-	[illegible]
Hedge Fund US$ II	$-		20.11		-	[illegible]
Hedge (E)	£-		102.44		-	[illegible]

DB Investment Management SA

2 Boulevard Konrad Adenauer, Lux 010 352 421011

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Eurorenta	DM-		88.39	90.99	-	[illegible]
Dollarrenta	$-		57.27	58.93	-	[illegible]
DM Reserve	DM-		160.10	[illegible]	-	[illegible]

Den norske Bank

2 boulevard Royal, Lux 010 352 4580 3271

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
DnB Inv Nordic Eq Cap	NKr-		13836.93		-	[illegible]
DnB Inv Nordic Eq Cap	NKr-		13289.03		-	[illegible]

Disa Income Fund

66 Blvd Petrusse, L 2320, Luxembourg (352) 407330

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
DISA Income	R-		46.02		18.86	[illegible]

Dolphin Intl Investments (u) SICAV

14 rue Aldringen, L-1118 Luxembourg

[illegible]

Nomura Global Fund (a)

1 St Martin's-le-Grand, EC1A 4NP

Asia Pacific P'folio [illegible]

PRICOA Worldwide Inv Portfolio Sicav (u) (z)

9 Rue Schiller, L-2519 Lux

Pacific Growth Series [illegible]

S-T Glob Inc Series [illegible]

US Growth Series [illegible]

Utility Series [illegible]

Regent Global Fund (u) (z)

14 Rue Leon Thyes L-2636

[illegible]

Sarasin Investment SICAV (u)

14 Rue Aldringen, L-2301, Luxembourg

[illegible]

Schroder International Selection Fd (u)

13 rue Goethe L-1637 Luxembourg

[illegible]

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

[illegible]

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Feb 18		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.8625	-0.1056	539 - 710	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	[illegible]
Belgium	(BFr)	[illegible]	-0.248	910 - 881	52.7426	52.2370	[illegible]	-1.3	[illegible]	-1.3	[illegible]	-1.0	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	356 - 491	[illegible]	[illegible]	9.9506	-1.0	9.9681	-1.0	[illegible]	[illegible]	114.2
Finland	[illegible]	8.1818	-0.0116	722 - 914	[illegible]	[illegible]	-	-	-	-	-	-	[illegible]
France	(FFr)	[illegible]	[illegible]	339 - 430	[illegible]	8.6256	[illegible]	-1.2	[illegible]	-1.1	[illegible]	-0.7	[illegible]
Germany	[illegible]	[illegible]	-0.0153	392 - 420	2.5508	[illegible]	[illegible]	-1.0	[illegible]	[illegible]	2.5481	[illegible]	[illegible]
Greece	[illegible]	[illegible]	-1.457	974 - 913	359.465	[illegible]	-	-	-	-	-	-	-
Ireland	(I£)	[illegible]	[illegible]	379 - 414	[illegible]	[illegible]	[illegible]	[illegible]	1.0417	-0.8	[illegible]	[illegible]	[illegible]
Italy	(L)	[illegible]	-7.46	708 - 989	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-3.3	[illegible]	[illegible]	[illegible]
Luxembourg	(LFr)	[illegible]	[illegible]	910 - 881	[illegible]	[illegible]	[illegible]	-1.3	[illegible]	-1.3	[illegible]	-1.0	[illegible]
Netherlands	[illegible]	2.8504	[illegible]	489 - 519	2.8660	[illegible]	[illegible]	-0.4	[illegible]	-0.2	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	904 - 993	11.0682	10.9668	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	84.3
Portugal	[illegible]	[illegible]	[illegible]	695 - 712	258.582	256.567	[illegible]	[illegible]	[illegible]	-4.8	-	-	-
Spain	[illegible]	[illegible]	[illegible]	420 - 606	208.247	207.448	[illegible]	[illegible]	[illegible]	-3.5	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	11.7092	[illegible]	005 - 179	11.8714	11.7133	[illegible]	-2.2	[illegible]	-2.1	[illegible]	-1.7	[illegible]
Switzerland	[illegible]	[illegible]	-0.01	429 - 456	2.1566	2.1431	[illegible]	[illegible]	[illegible]	0.9	[illegible]	1.1	[illegible]
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	[illegible]
Ecu	-	1.3134	-0.0038	124 - 143	[illegible]	[illegible]	[illegible]	-1.3	[illegible]	-1.2	[illegible]	[illegible]	-
SDR	-	0.945525	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4773	+0.0056	768 - 777	1.4813	1.4754	-	-	-	-	-	-	-
Brazil	(Cr)	[illegible]	+18.549	541 - 023	865.000	847.000	-	-	-	-	-	-	-
Canada	(C$)	1.9783	+0.0021	774 - 792	[illegible]	[illegible]	1.9762	[illegible]	1.9721	1.3	[illegible]	[illegible]	[illegible]
Mexico	(New Peso)	4.5917	+0.0149	890 - 944	[illegible]	[illegible]	-	-	-	-	-	-	-
USA	($)	[illegible]	+0.0048	784 - 792	[illegible]	[illegible]	1.477	[illegible]	[illegible]	1.5	[illegible]	[illegible]	[illegible]
Pacific/Middle East/Africa													
Australia	(A$)	2.0725	+0.0125	712 - 737	[illegible]	[illegible]	2.071	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Hong Kong	(HK$)	[illegible]	+0.034	294 - 370	11.4881	11.4197	11.4115	[illegible]	[illegible]	[illegible]	11.2771	1.4	-
[illegible]	[illegible]	[illegible]	+0.1487	863 - 025	46.5210	46.3330	-	-	-	-	-	-	-
Japan	(Y)	[illegible]	+0.464	123 - 355	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia	(M$)	4.1119	+0.0127	100 - 137	[illegible]	[illegible]							

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

UK INTEREST RATES

LONDON MONEY RATES

BANK OF ENGLAND TREASURY BILL TENDER

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

BANK RETURN

STOCK EXCHANGES

FT-ACTUARIES WORLD INDICES

STOCK INDICES

FT GOLD MINES INDEX

BASE LENDING RATES

LONDON RECENT ISSUES: EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Are you dealing in over $1m?
Fast, Competitive Quotes 24 Hours on 071-329 [illegible] or fax 071-329 3919
MEMBER SFA

NO MORE DANCING!
SATQUOTE™ – Your single service for real time quotes.
F[illegible] * Options * Stocks * Forex * News * Via Satellite
LONDON +71 329 3377
[illegible] YORK +212 [illegible] FRANKFURT +4969 440071

FUTURES &OPTIONS TRADERS FOR AN EFFICIENT & COMPETITIVE SERVICE
BERKELEY FUTURES LIMITED
38 DOVER STREET, LONDON W1X 3RB
TEL: 071 [illegible] FAX: 071 495 0022

LIVE FROM LIFFE - 0839 35-35-70
Dial now and hear the Footsie move with live commentary from Liffe, as it happens. For details of all [illegible] Lines and financial information services from Futures Pager Ltd call 071-895 9400. Calls are charged at 36p/min cheap rate, 48p/min all other times. Futures Pager Ltd. 19/21 Great Tower Street, London EC3R 5AQ.
FUTURES PAGER

TAX-FREE* SPECULATION IN FUTURES
To obtain your [illegible] yo[illegible] Financial Bookmaker can help you, call Michael Murray or Ian Jenkins on 071-828 7233 or write to us: IG Index Plc, 9-11 Grosvenor Gardens, London SW1W 0BD

Duff Forecasts and Market Myths for 1994
The US [illegible] scar[illegible] deflation will continue, gold & most commodities won['t] [r]ise, Japan's economy & stock market will be weak.' You did NOT read that in FullerMoney - the icono[clast]ic investment letter.
Call Jane Farquharson for a sample issue (once only) at Chart Analysis Ltd, 7 Swallow Street, London, W1R 7HD, UK. Tel: London 71-439 4961 (071 in UK) or Fax: 71-439 4966 a FIMBRA Member

FOREXIA FAX $ £ Dm ¥
[illegible] YEAR PUBLIC RECORD OF [illegible] SHORT TERM FOREIGN EXCHANGE FORECASTING
DAILY FOREIGN EXCHANGE COMMENTARIES, CHARTS, FORECASTS AND RECOMMENDATIONS
Tel: +44 [illegible] 948 8316 Full details of Fax: +44 [illegible] 948 8469
FOREXIA FAX – by using handset on your fax machine dial +44 81 332 7426

[illegible] Fax - FREE 2 week trial
from Chart Analysis Ltd
7 Swallow Street, London [illegible]
exchange rate specialists for over 20 years
ask [illegible]
Tel. 071-734 7174
Fax: 071-439 4966
a FIMBRA Member

24 HOUR FOREIGN EXCHANGE
London Dealing Desk
CURRENCY MANAGEMENT CORPORATION PLC
Winchester House
77 London Wall
London EC2M 5ND
Tel: 071-382 9745
Fax: 071-382 9487

•FOREX •METALS •BONDS •SOFTS
[illegible] for [illegible] investors
0962 879764
TREND

BANKS

BUILDING MATS. & MERCHANTS - Cont.

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING, VEHICLES

HEALTH CARE

INVESTMENT TRUSTS - Cont.

CHEMICALS

EXTRACTIVE INDUSTRIES

BREWERIES

HOUSEHOLD GOODS

DISTRIBUTORS

BUILDING & CONSTRUCTION

ENGINEERING

INSURANCE

DIVERSIFIED INDUSTRIALS

INVESTMENT TRUSTS

BUILDING MATS. & MERCHANTS

FOOD MANUFACTURERS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

DISTRIBUTION

LEISURE & HOTELS

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£18¾	-1.3	Q350c	1.7	Oct Apr	22.2	-
Barlow		541½	-4.3	Q173c	1.7	Jan Jul	13.12	1760
Gold Fields SA R		£13½xd	7.2	Q200c	1.5	Mar Sep	31.1	2717
MK Props	§	95	—	044.7c	0.3	Feb Oct	19.10	-
SASOL	♥	324	-3.9	075c	-	Oct	23.9	3919
SA Brews		£12⅜	-2.6	Q139c	2.2	Dec Jun	13.12	4113
Tiger Oats		713	—	Q65c	2.9	Jan Feb	29.11	5222
Tongaat-Hulett	†	487	-1.6	075c	2.4	Feb Aug	4.1	5221

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♠ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ∎ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest Annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on IIMR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Baring Energy Europe Ord and Warrants, Friends Provident Ethical Ord, Units & Zero Prf. (Inv Trusts). Deletion: Morgan Grenfell Equity C (Inv Trusts).

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT2625. [If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 36p per minute cheap rate and 48p per minute at all other times.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close February 18

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

4 pm close February 18

NYSE COMPOSITE PRICES

Continued from previous page

1993/94 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
24¾	13⅛	ShylG	0.36	2.3	8	418	15⅞	15⅝	15¾	-⅛
23⅝	10⅞	Safeway			23	2921	u23⅞	23½	23⅝	
5½	2	SafewayWt98				385	u5⅝	5⅜	5½	
55½	37½	StJoePaper	0.20	0.4	788	43	54⅝	54⅛	54⅝	
37⅞	28	StJosLP	1.90	6.3	14	24	28⅝	28½	28½	-⅛
93	75	StPaul	3.00	3.6	8	802	83⅝	82⅛	83⅝	+⅝
11⅝	6⅛	Salant Crp			10	292	8½	8¼	8⅜	+⅛
75¾	39⅞	SalBe Mae x	1.40	2.9	9	7339	48	47½	47⅝	-⅝
14⅞	12⅝	Salomon Br x	0.55	4.2		387	13⅜	13⅛	13⅛	-⅛
51⅞	34	Salomon	0.64	1.3	6	3123	50⅜	49⅞	50⅛	+⅛
27¾	22⅞	SnDgGE	1.48	6.8	12	1062	22¾	22½	22½	+⅛
11⅞	8⅞	SantaFeERs	0.18	1.8	304	884	9¼	9	9⅛	+⅛
40⅞	35¾	SantaFePac	2.80	7.1	18	42	39¼	39	39¼	+¼
25¼	12⅞	SanFeP	0.10	0.4	13	4431	23⅞	23½	23⅝	+½
31⅛	21	SaraLee	0.64	2.9	14	5887	22½	21⅞	21⅞	-⅜
52¼	40⅞	Scana Corp	2.82	6.2	12	487	45⅞	44⅞	45⅛	-½
25¾	18½	Scecrp	1.42	7.8	12	10046	18¾	d18⅛	18¼	-½
40½	23⅞	ScheringP			29	66	38⅞	38⅛	38½	+⅛
71	51¾	SchrPl	1.80	3.0	14	3740	60	58⅞	59⅝	-⅛
66⅞	54⅝	Schlmb	1.20	2.1	24	4605	58½	57½	58	+⅜
38⅜	18½	Schwab(C)	0.28	1.1	12	4426	27¼	26¼	26⅝	+⅛
9⅝	5⅝	Schwitzer			123	78	9	8⅝	8⅞	-⅜
39⅞	17¾	SCM	0.12	0.4	56	2734	28⅛	27¼	27⅝	-¼
16¾	9⅞	Scotsman	0.10	0.6	15	238	u16⅞	16⅛	16⅛	-⅜
46¾	31	ScottP	0.80	1.8	11	1130	45⅛	44⅞	44⅞	+⅛
28⅝	14¾	ScudderNAsF	0.27	1.1		101	24½	24⅛	24⅛	-⅜

4 pm close February 18

NASDAQ NATIONAL MARKET

4 pm close February 18

AMEX COMPOSITE PRICES

FT GUIDE TO THE WEEK

21 MONDAY

German strike ballot

The national executive of IG Metall, the engineering workers' union, meets to decide in which region it will hold a strike ballot, with the intention of calling a strike in early March. Baden-Württemberg and North Rhine-Westphalia are the most likely contenders. Yet there are still hopes for a negotiated solution to the dispute concerning pay and conditions, with engineering employers seeking drastic cost cuts.

North Korea: today is the deadline for North Korea to permit inspection of its nuclear facilities. An eleventh-hour agreement with the International Atomic Energy Agency (IAEA) means that there will be no immediate clash with the UN Security Council. North Korea's last-minute compliance ensures that it will not be accused of violating the terms of the Nuclear Non-Proliferation Treaty at an IAEA board of governors' meeting today.

European Union foreign ministers meet in Brussels to discuss the Balkan crisis and the enlargement of the union. Member states are expected to use the meeting to lodge further protests at Greece's recent decision to blockade Macedonia. Meanwhile the foreign ministers will also be seeking to hammer out more details in the enlargement negotiations, in advance of the special EU council meeting on enlargement next weekend. EU agricultural ministers also meet today.

Euro Disney's 60 banks receive the final version of an investigative audit of the troubled leisure group's finances from KPMG Peat Marwick, the accountancy firm. A meeting with Euro Disney will then be arranged to start negotiations about its emergency financial restructuring. The banks last week discussed preliminary proposals for restructuring with executives of Euro Disney and Walt Disney.

EU networks about to extend:

The European Union's ambitious trans-European networks initiative, which aims to develop telecommunications, energy and transport networks spanning the region, takes its next step forward today. Mr Henning Christophersen (above), economics commissioner, chairs the second meeting of a taskforce consisting of senior officials from member states. The group will consider which transport and energy projects should be given priority and various options for finance.

Holidays: US, President's Day holiday. Federal government offices closed.

22 TUESDAY

Greenspan on policy

Mr Alan Greenspan,the chairman of the US Federal Reserve, gives his bi-annual address to Congress on the state of the economy and current central bank monetary policy. He is likely to be grilled about his decision to raise interest rates on February 4. It was the first tightening of US monetary policy in five years, and some in Congress criticised the decision as likely to hinder, not help, the economy.

Gatt and the environment: In Geneva, the governing council of the General Agreement on Tariffs and Trade debates the link between trade and the environment. The ministerial meeting in Marrakesh on April 12-15, to set the course of Gatt's future work on the issue, is uppermost in trade diplomats' minds. Greens say trade rules need changing to secure environmental goals; developing countries fear greenery cloaks protectionism.

UK revised GDP figures will be watched closely by the markets, in the wake of last week's disappointing economic statistics. Traders are likely to see any downwards revision from the earlier estimate of a 0.7 per cent rise in 1993's fourth quarter as a sign that the recovery is faltering.

Women priests in prospect: The general synod of the Church of England meets in London for a final debate on the legislation to permit the ordination of women priests. If, as is almost certain, the synod approves the legislation the first women to become priests will be ordained before Easter.

Giovanni Goria goes on trial:

Former Italian Prime Minister Giovanni Goria (left), a Christian Democrat, goes on trial for alleged corruption in Turin. Mr Goria resigned as finance minister because of his alleged involvement in irregularities in a savings bank scandal. More than 50 deputies and senators and 1,000 senior politicians and businessmen were investigated.

Mr Geidar Aliev, only member of the Brezhnev-era Politburo to have survived as a leader in the post Communist era, arrives in Britain with a large demand and a large promise. The demand is that Armenia be recognised as an aggressor against Azerbaijan after the forces from the Armenian-populated enclave of Nagorno Karabakh within Azerbaijan captured swathes of Azeri territory. The promise is of exploitation rights, for BP among other large oil companies, of reserves in the Caspian sea off Baku which has the oil industry entranced and the more enthusiastic of the Azeris talking of a new Kuwait.

23 WEDNESDAY

Kohl to galvanise CDU

Mr Helmut Kohl (left), the man who brought Germany unification, continues his Christian Democratic Union's election campaign at the party conference in Hamburg. He must galvanise his party and revive its spirits in the face of economic recession and a slump in electoral support across the country. The question is whether Mr Kohl, with his very considerable political experience and cunning, can reverse the downward trend in the polls. His hopes rest on three things: a recovery of the German economy; the desire of electors to return to the familiarity and security of the ruling coalition at national, rather than local, elections; and his own ruthless political instincts in a frantic election year.There are 19 separate elections ahead, leading up to the general election on October 16. The conference ends today.

Zhu Rongji starts tour of Japan:

The Chinese vice premier (left) begins a nine-day official visit to Japan, to meet Mr Tsutomu Hata, foreign minister, and other leaders. He is the first senior Chinese leader to visit Japan since prime minister Morihiro Hosokawa took power last August.

Han Sung-joo, South Korean Foreign Minister, visits Mexico in the course of what was originally planned as a trade trip in connection with the creation of the North American Free Trade area. .

Race relations relaunched: Mr William Waldegrave, minister for public service, and Mr Herman Ouseley, chairman of the Commission for Racial Equality, will launch a new look for Britain's race relations organisation. The CRE will adopt Citizen's Charter service standards and a new structure in an attempt to provide improved services to members of ethnic minority communities.

Fresh Guildford Four appeal: Paul Hill, 38, from Belfast, starts his appeal against conviction for killing a soldier in Belfast in 1974. Mr Hill has been on bail since the Guildford Four were released in October 1989. His appeal against conviction for murdering a former soldier, Mr Brian Shaw, in 1974 will be heard by the Lord Chief Justice, Sir Brian Hutton, Lord Justice MacDermott and Mr Justice McCollum.

24 THURSDAY

Anxiety at Yeltsin address

Boris Yeltsin is to address both houses of parliament, an event postponed from February 18 because the Russian president was suffering from a cold. His speech will now be heard with special attention as concern mounts throughout the international community regarding the president's stamina. His words will be especially scrutinised for indications of exactly how he intends to maintain the progress of economic reform.

More US economic data are published today, providing further evidence of whether or not the economic expansion is continuing this year. Figures include durable goods orders and durable shipments in January, and initial unemployment claims, state benefits, and weekly money supply statistics.

Romanian unrest intensifies: The farmers' union Agro-Star plans a one-day strike in protest at government agricultural policies and the poor administration of state farms. Romanian airport workers plan a one-hour strike in support of wage claims tomorrow. Romania's three main labour blocs strike on February 28 to back demands for a change of government. Last week President Ion Iliescu met leaders of the Alfa trade union movement, one of Romania's three main labour blocs.

Discontent has grown steadily among the 23m Romanians, fuelled by inflation, since the one-party communist state collapsed in December 1989.

Prime Minister Yitzhak Rabin ends his four-day official trip to Spain and Portugal, hoping to persuade them to influence more Arab states to make peace with Israel.

Tokyo court bribery hearing:

Tokyo District Court holds its first hearing on the alleged bribery case involving former Miyagi governor Shuntaro Honma and executives at Daishowa Paper. Daishowa Paper is the country's second largest paper manufacturer. The defendants include Mr Ryoei Saito, (above) honorary chairman of Daishowa Paper, notorious for his desire to be buried alongside his collection of Impressionist paintings. The arrest of Mr Saito, 77, followed allegations that he authorised a Y100m (£630,000) payment to a governor who approved a Daishowa-linked golf course and housing complex.

U.N. High Commissioner for Refugees Sadako Ogata visits Mbabane in Swaziland to assess the situation with regard to refugees from Mozambique (until Feb 27).

Boris Yeltsin is unwell

25 FRIDAY

Greens seize protest role

In Mannheim, the German Greens begin their two-day party conference. The Greens will be seeking to launch themselves as the main party of protest against the political establishment in this marathon election year.

Moroccan unions take action: A Moroccan federation of unions plans a 24-hour strike today to protest at the government's continued refusal to participate in talks. A similar strike in December 1990 caused riots in several cities in which at least 43 people were killed.

Keen hope for EU enlargement: Foreign ministers assemble in Brussels for a special EU council meeting on the enlargement of the union. The participants will aim to consolidate the progress made in preliminary talks earlier in the week.

Japanese construction scandal: Tokyo District Court holds its first hearing on the alleged bribery case involving Mr Fujio Takeuchi, former governor of Ibaraki north of Tokyo. Four construction groups are involved in charges of bribery relating to tenders for a government dam project.

26-27 WEEKEND

Group of Seven on CIS

Finance ministers and central bank governors of the Group of Seven (G7) gather in Kronberg, in the Taunus hills north of Frankfurt, to debate the plight of the Russian economy. Mr Theo Waigel, the German finance minister, whose country is most exposed to Russia's debt problems, invited them.

Italy's election in March will be the first under a new simple majority system but the voters are likely to be as confused as ever. Fully 320 polling booth symbols have been submitted for approval before Sunday's deadline for filing candidates' names.

Twin Towers bombing: The anniversary of the World Trade Center bombing in New York may be marked by the end of the four-and-a-half month trial of the alleged bombers. Prosecution and defence should have concluded summations by Monday, and the jury may pass judgement on the four defendants - Mohammad Salameh, Ahmad Ajaj, Nidal Ayyad and Mahmud Abouhalima - shortly afterwards.

Compiled by Martin Mulligan. Fax: (+44) (0)71 873 3194.

ECONOMIC DIARY

Other economic news

Monday: The board of I G Metall, the German engineering workers' union, meets to decide on possible strike ballot. A ballot will take several days to organise and at least two days to conduct.

Tuesday: The French trade balance for December is expected to show a Ffr6.7bn surplus, compared with Ffr6.6bn in November.

Thursday: German cost of living figures, expected today, are forecast to show a further fall from January's 3.5 per cent to an annual rate of 3.2-3.4 per cent in February. Underlying inflation pressures have eased, allowing the Bundesbank to cut rates last week.

Friday: The CBI monthly trends report for February will provide further evidence of the strength of the UK economy. The quarterly report, published last month, presented a fairly upbeat picture of business confidence.

The UK will also publish its trade balance with non-European Union countries in January. The deficit is expected to have widened to £790m, from £675m in December. French consumer price index figures for January are expected to show that inflation still remains low at 2.1 per cent.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Germany	Jan import prices**	-1.3%	-1.3%
Feb 21	Canada	Dec retail sales*	0.7%	-0.2%
Tue	US	Feb consumer confidence	83.1	83.2
Feb 22		Jan treasury budget	$10.5bn	-$8.3bn
	Japan	Feb WPI - 1st 10 days	-	flat
		Dec coincident index	-	20%
		Dec leading diffusion index	-	30%
	France	Dec trade balance	FFr6.7bn	FFr6.6bn
		Jan household consumption	-	flat
	Italy	Jan CPI - cities*	0.4%	0.6%
	UK	Q4 GDP - revised*	0.7%	2.5%
	Canada	Dec wholesale trade*	0.5%	1.7%
	Sweden	Dec industrial production*	1.0%	-1.0%
		Jan CPI*	0.9%	-0.4%
Wed	Aust'lia	Jan motor vehicle registrations	2.5%	-6.1%
Thur	US	Jan durable orders	1.0%	2.2%
Feb 24		Jan durable shipments	-	-
		initial claims w/e Feb 19	360,000	371,000
		state benefits w/e Feb 12	-	2,730,000
		money supply w/e Feb 14		
	Aust'lia	Q4 company profits	10%	11%
Fri	US	Jan existing home sales	-	4.49m
Feb 25		Jan export price index	-	0.3%
		Jan import price index	-	-0.9%
		Jan bank credit	-	5.8%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
	Japan	Feb CPI - Tokyo**	1.3%	1.4%
		Jan CPI - Nation**	1.2%	1.1%
		Jan retail sales**	-2.5%	-4.5%
	France	Jan CPI*	0.2%	0.1%
	UK	Non EU trade balance	-£790m	-£675
	Canada	Jan ind prod price index	0.2%	0.5%
During this week...				
	Germany	Jan PPI*	0.3%	-0.1%
		COL Nordrhine Westphalia*	0.3%	0.8%
		Baden-Wuertt*	0.3%	0.8%
		COL Bavaria*	0.3%	0.8%
		Hesse*	0.3%	1.1%
		Jan M3 from Q4 base	6.6%	8.1%
		Feb COL - preliminary*	0.3%	0.8%
	Italy	Dec WPI**	4.2%	4.3%
		Dec PPI*	4.0%	3.9%
		Jan M2 - 3 monthly average**	7.4%	7.9%
		Jan total bank lending	-1.4%	-1.9%
		Jan Italian bank lending	4.1%	4.3%
	Belgium	Feb CPI**	2.3%	2.4%
	Switz	Feb CPI - Basel*	-	0.1%
		Feb CPI - Geneva*	-	0.1%
		Feb CPI - Federal*	-	0.1%

*month on month, **year on year. *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

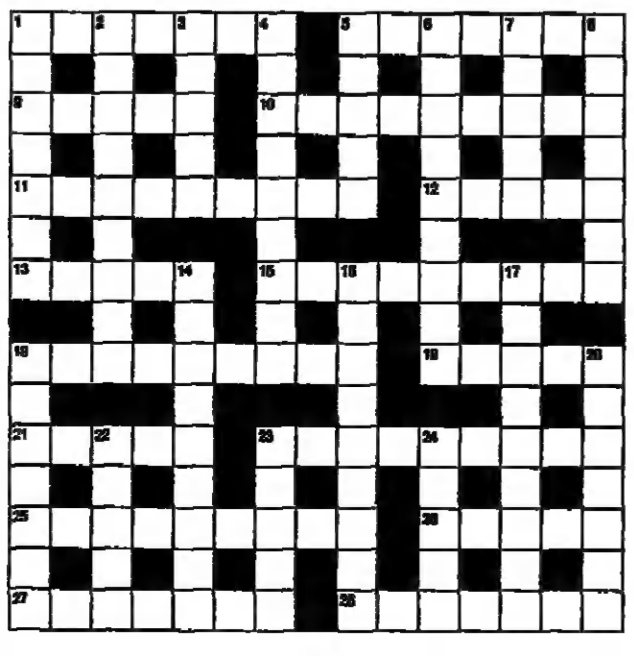
No.8,385 Set by GRIFFIN

ACROSS

1 End outbreak of boils in a hospital (7)
5 Salesman was dishonest and wrote back (7)
9 When back on left in a reception room (5)
10 One lady takes one drink, it's assumed (9)
11 Concerns travelling in streets (9)
12 Where we go after credit note (5)
13 Elicit approval the day before going round (5)
15 Tenants with very little money in flexible accounts (9)
18 Bank chap whose accounts are often exaggerated? (9)
19 Seen while murdering some animal (5)
21 Throw nothing back into sink after article's removed (5)
23 Terribly posh they love absorbing divine wisdom (9)
25 Exactly like dialect in broadcasting (9)
26 Use Virginia when in trouble (5)
27 Spots it on returning these in France (7)
28 Having no beer Daley swallows more rum, trembling (7)

DOWN

1 Sign for cooked sauce, very good for filling in (7)
2 Ring Basil, not bothering to make sacrifices (9)
3 Shot topless trespasser! (5)
4 Calls to man to return – it's bad weather (9)
5 First radio listeners needed towers (5)
6 Most important cardinal (9)
7 Silly Georgina never hides (5)
8 Sends modified lines during drought (7)
14 Return quote after Green's letters get forceful (9)
16 Against engineer taking time round the local in disguise (9)
17 Call with coat which reveals identity of occupant (9)
18 Form has, if turned against (7)
20 Top family members' payment for sales (7)
22 Dinner noiselessly swallowed it becomes lazy (5)
23 Sit up holding back half of mattress cases (5)
24 Broken fragment has crumbled on road (5)



A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday March 3, marked Monday Crossword 8,385 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday March 7.

Name...

Address...

Winners 8,373

R. Kaufeler, London SW16
D. Cattell, Farsley, Leeds
Angela Hart, Tonbridge, Kent
Mrs Yvonne Hodson, London SE26
J.A.G. Marshall, Kinross
Mrs William Regan, Bronxville, USA

Solution 8,373